La Chapelle

Xinjiang La Chapelle Fashion Co., Ltd.

(a joint stock company incorporated in the People's Republic of China with limited liability)

INTERIM REPORT 2023

(Stock Code: 06116)

CONTENTS


CORPORATE INFORMATION

REGISTERED CHINESE NAME

新疆拉夏貝爾服飾股份有限公司

ENGLISH NAME

Xinjiang La Chapelle Fashion Co., Ltd.

HEADQUARTERS

Building 4
No. 50, Lane 2700,
South Lianhua Road Minhang District, Shanghai, PRC

REGISTERED OFFICE IN THE PRC

Room 2008, 20/F, Tower D, Chuangxin Square,
Si Ping Road, Xin Shi District,
Urumqi, Xinjiang, PRC

PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre,
No. 248 Queen's Road East Wanchai, Hong Kong Hong Kong

COMPANY'S WEBSITE

www.lachapelle.cn

DIRECTORS

Executive Directors

Mr. Zhao Jinwen *(Chairman)*
Ms. Zhang Ying *(President)*
Mr. Zhu Fengwei

Non-executive Director

Ms. Wang Yan

Independent Non-executive Directors

Mr. Xing Jiangze
Ms. Chow Yue Hwa Jade
Ms. Yang Linyan

AUDIT COMMITTEE

Mr. Xing Jiangze *(Chairman)*
Ms. Wang Yan
Ms. Chow Yue Hwa Jade

NOMINATION COMMITTEE

Ms. Yang Linyan *(Chairman)*
Ms. Zhang Ying
Mr. Xing Jiangze

REMUNERATION AND APPRAISAL COMMITTEE

Mr. Xing Jiangze *(Chairman)*
Mr. Zhao Jinwen
Ms. Yang Linyan

BUDGET COMMITTEE

Ms. Zhang Ying *(Chairman)*
Mr. Zhao Jinwen
Mr. Zhu Fengwei
Mr. Xing Jiangze
Ms. Chow Yue Hwa Jade

STRATEGY AND DEVELOPMENT COMMITTEE

Mr. Zhao Jinwen *(Chairman)*
Ms. Zhang Ying
Mr. Zhu Fengwei
Ms. Wang Yan
Ms. Chow Yue Hwa Jade
Ms. Yang Linyan

SUPERVISORS

Mr. Gu Zhenguang *(Chairman)*
Mr. Sun Bin
Mr. Wang Jiajie

COMPANY SECRETARY

Ms. Wong Wai Ling *(ACS, ACIS)*

AUTHORIZED REPRESENTATIVES

Mr. Zhao Jinwen
Ms. Wong Wai Ling

LEGAL ADVISERS

Grandall Law Firm (Shanghai) *(as to PRC Law)*
Herbert Smith Freehills *(as to Hong Kong Law)*

AUDITOR

Da Hua Certified Public Accountants (Special General Partnership)

H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor,
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

China Everbright Bank Co., Ltd.
Bank of Communications Co., Ltd.

STOCK CODE

6116

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2023	2022	Increase/
	RMB'000	RMB'000	(decrease)
	(unaudited)	(unaudited)	%
Financial highlights			
Revenue	**83,988**	112,584	(25.4)
Gross profit	**63,063**	79,482	(20.7)
Operating (loss)/profit	**(510,898)**	(129,391)	(294.8)
(Loss)/profit before income tax	**(578,539)**	(178,277)	(224.5)
Income tax expenses	**293**	1,639	(82.1)
Net (loss)/profit	**(578,832)**	(179,916)	(221.7)
Basic and diluted (losses)/earnings per share (RMB)	**(1.04)**	(0.33)	(215.2)

	30 June	31 December	Increase/
	2023	2022	(decrease)
	RMB'000	RMB'000	
	(unaudited)	(audited)	%
Total assets	**713,866**	1,156,191	(38.3)
Total equity attributable to shareholders of the Company	**(3,071,014)**	(2,505,849)	(22.6)

	Six months ended 30 June		**Increase/ (decrease) percentage point(s)**
	2023	2022	
	RMB'000	RMB'000	
	(unaudited)	(unaudited)	
Financial Ratios			
Gross profit margin	**75.09%**	70.60%	4.49
Operating (loss)/profit margin	**(608.30%)**	(114.93%)	(493.37)
(Loss)/profit margin for the period	**(689.18%)**	(159.81%)	(529.37)

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In the first half of 2023, as the economy and society fully resumed normal operation, and with the benefit of the implementation and effect of the national policies to promote consumption, the consumption environment resumed its improvement, and the domestic consumer market as a whole shows a recovery trend. According to statistics from the National Bureau of Statistics, total domestic retail sales of consumer goods in the first half of the year amounted to RMB22,758.8 billion, representing a year-on-year increase of 8.2%. Among the retail sales of enterprises above the designated size, the total retail sales of apparel, footwear, hats, and knitted textiles amounted to RMB683.4 billion, representing a year-on-year increase of 12.8%, and the consumer market continued to recover. In June 2023, the total retail sales of consumer goods increased by 3.1% as compared with the same period last year. Among the retail sales of enterprises above the designated size, the total retail sales of apparel, footwear, hats and knitted textiles products increased by 6.9% as compared with the same period in last year, implying a continued expansion of demand in the consumer market. With the economic recovery improving and the per capita disposable income of residents across the country continuing to increase, along with a series of policies such as "expanding domestic demand, promoting consumption, and stabilizing growth" continue to take effect, the consumer market is expected to further accelerate its recovery.

FINANCIAL REVIEW

During the Reporting Period, the Group's revenue and operating loss reached RMB84.0 million, representing a slight decrease compared with the corresponding period last year. The main reason is that some wholly-owned subsidiaries of the Company have been in bankruptcy liquidation procedures or bankruptcy reorganization procedures, the revenue of whose business is no longer consolidated into the consolidated financial statements of the Company. During the Reporting Period, the Company's net loss attributable to shareholders amounted to approximately RMB565 million, an increase of approximately RMB388 million in net loss compared to the corresponding period of last year. The main reasons for the loss during the Reporting Period are: (1) the Company still faces a high level of overdue debts, which resulted in accumulation in interest on debts and overdue penalty interests totaling approximately RMB108 million and (2) as Shanghai Nuoxing and La Chapelle Taicang, former subsidiaries of the Company, entered into bankruptcy liquidation procedures and bankruptcy reorganization procedures respectively in the Reporting Period, the Company lost control over them, resulting in investment losses of approximately RMB464 million.

Revenue

The revenue of the Group in the first half of 2023 decreased from RMB112.6 million in the first half of 2022 to RMB84.0 million, representing a decrease of 25.4%.

The decrease in revenue was mainly because (1) some wholly-owned subsidiaries of the Company have been in bankruptcy liquidation procedures or bankruptcy reorganization procedures, the revenue of whose business involved are no longer consolidated into the consolidated financial statements of the Company and (2) the number of the Company's existing stores decreased as at the end of the Reporting Period compared with the corresponding period of the previous year; the number of retails points of the Group decreased by 18 from 218 as at 31 December 2022 to 200 as at 30 June 2023, representing a decrease of 8.3%.

Revenue by distribution channel

The following table sets out the revenue breakdown by type of retail points for the Reporting Period and the corresponding period of last year:

	Six months ended 30 June					
	2023			2022		
	Revenue (RMB'000)	**% of total**	**Gross Profit Margin**	Revenue (RMB'000)	% of total	Gross profit margin increase or decrease compared to the same period of last year (percentage point(s))
Concessionaire counters	**22,308**	**26.6**	**75.3**	29,742	26.4	(2.3)
Standalone retail outlets	**13,034**	**15.5**	**74.8**	16,199	14.4	(2.9)
Online platform	**6,375**	**7.6**	**31.1**	80	0.1	(68.9)
Franchise/Associates	**7,408**	**8.8**	**44.3**	11,617	10.3	(21.3)
Wholesale	**224**	**0.3**	**99.1**	1,384	1.2	(0.9)
Brand-integrated services	**24,555**	**29.2**	**100.0**	13,816	12.3	–
Others	**10,084**	**12.0**	**64.2**	39,746	35.3	11.6
Total	**83,988**	**100.0**	**75.1**	112,584	100.0	4.5

As the number of offline stores and the customer traffic both decreased, during the Reporting Period, the revenue from concessionaire counters decreased from RMB29.7 million in the first half of 2022 to RMB22.3 million in the first half of 2023, representing a decrease of 25.0%. The revenue from retail outlets decreased from RMB16.2 million in the first half of 2022 to RMB13.0 million in the first half of 2023, representing a decrease of 19.5%. The revenue from the franchise/associate decreased from RMB11.6 million in the first half of 2022 to RMB7.4 million to the first half of 2023, representing a decrease of 36.2%. As the Company expanded brand-integrated services business in the period and due to the low base affected by the Covid-19 pandemic in the corresponding period of last year, the revenue from brand-integrated services recorded approximately RMB24.6 million, representing a significant increase with the corresponding period of the previous year.

Note: "Others" mainly refers to the revenue from the Company's leasing business of RMB6.147 million and other revenue, amounting to a sum of RMB10.084 million in total.

Revenue by brand

The following table sets out the revenue breakdown by brand for the Reporting Period and the corresponding period of last year:

	Six months ended 30 June					
	2023			2022		
	Revenue (RMB'000)	**% of total**	**Gross Profit Margin**	Revenue (RMB'000)	% of total	Gross profit margin increase or decrease compared to the same period of last year (percentage point(s))
La Chapelle	**44,283**	**52.7**	**72.4**	31,190	27.7	(4.7)
Puella	**8,048**	**9.6**	**85.1**	8,669	7.7	13.8
7 Modifier	**1,829**	**2.2**	**90.1**	6,599	5.9	17.0
La Babité	**2,716**	**3.2**	**98.6**	5,522	4.9	9.5
Candie's	**–**	**–**	**–**	4,358	3.9	–
USHGEE	**7,005**	**8.3**	**50.3**	3,864	3.4	(9.3)
Menswear brands	**7,433**	**8.9**	**97.3**	6,961	6.2	(0.6)
8ém	**2,571**	**3.1**	**100.0**	2,303	2.0	1.9
Other brands	**19**	**–**	**94.7**	1,963	1.7	2.8
Others	**10,084**	**12.0**	**64.2**	41,155	36.6	9.9
Total	**83,988**	**100.0**	**75.1**	112,584	100.0	4.5

Notes:

1. "Menswear brands" comprise JACK WALK, Pote and MARC ECKŌ brands; "Other brands" comprise brands including UlifeStyle, Siastella, and EYEH; "Others" mainly refers to the revenue from the leasing business of RMB6.147 million and other revenue.

2. As the revenue of La Chapelle brand, menswear brands, and 8ém brand from the channel of brand-integrated services increased continuously, their revenue increased by 41.98%, 6.78%, and 11.64% compared with the corresponding period of the previous year respectively. As a benefit of the expansion of retail outlets and the optimization of product structure, the revenue of USHGEE brand recorded a period-on-period increase of 81.29%. As the number of offline stores and the customer traffic both decreased, the revenue from other main brands recorded a decrease.

3. Due to the adoption of brand-integrated services with a higher gross profit during the Reporting Period and the Company's increased efforts to sell aged inventories at a value higher than the net value, the gross profit of certain brands of the Company recorded an increase.

Revenue by tier of cities

The following table sets out the revenue breakdown by tier of cities (including revenue from online platform) for the Reporting Period and the corresponding period of last year:

	Six months ended 30 June					
	2023			2022		
	Revenue (RMB'000)	**% of total**	**Gross Profit Margin**	Revenue (RMB'000)	% of total	Gross profit margin increase or decrease compared to the same period of last year (percentage point(s))
First-tier cities	**16,714**	**19.9**	**57.7**	16,725	14.9	(24.8)
Second-tier cities	**19,679**	**23.4**	**69.9**	27,605	24.5	(5.9)
Third-tier cities	**15,669**	**18.7**	**66.8**	46,191	41.0	11.6
Other cities	**7,371**	**8.8**	**63.0**	8,247	7.3	(3.2)
Brand-integrated services	**24,555**	**29.2**	**100.0**	13,816	12.3	–
Total	**83,988**	**100.0**	**75.1**	112,584	100.0	4.5

Note: For the classification of domestic cities into various tiers, please refer to the prospectus of the Company dated 24 September 2014 (the "**Prospectus**").

In the first half of 2023, except for the revenue of first-tier cities, the Group's revenue in other tiers of cities decreased, mainly because the number of offline stores and the customer traffic both decreased, coupled with factors such as the Company's targeted distribution strategy for different tiers of cities.

Revenue by product type

The following table sets out the revenue breakdown by product type (including revenue from online platform) for the Reporting Period and the corresponding period of last year:

	Six months ended 30 June					
	2023			2022		
	Revenue (RMB'000)	**% of total**	**Gross Profit Margin**	Revenue (RMB'000)	% of total	Gross profit margin increase or decrease compared to the same period of last year (percentage point(s))
Tops	**32,352**	**38.5**	**63.7**	39,900	35.4	(10.4)
Bottoms	**6,168**	**7.4**	**68.5**	6,977	6.2	(11.7)
Dresses	**10,658**	**12.7**	**66.4**	11,814	10.5	(11.7)
Accessories	**171**	**0.2**	**63.2**	331	0.3	(34.4)
Brand-integrated services	**24,555**	**29.2**	**100.0**	13,816	12.3	–
Others	**10,084**	**12.0**	**64.2**	39,746	35.3	11.6
Total	**83,988**	**100.0**	**75.1**	112,584	100.0	4.5

Note: "Others" mainly refers to the revenue from the leasing business of RMB6.147 million and other revenue.

In the first half of 2023, revenue of the Group from sales recorded a decrease from sales of tops, bottoms, and dresses, which was partly attributable to factors such as the period-on-period decrease in the number of existing stores of the Group and the decrease in product purchases during the Reporting Period. In respect of the revenue contribution of each product type as compared with the same period of last year, revenue contribution from sales of tops increased by 3.1 percentage points, that from sales of bottoms increased by 1.2 percentage points and that from sales of dresses decreased by 2.2 percentage points.

Cost of Sales

The cost of sales of the Group decreased by 36.8% from RMB33.1 million in the first half of 2022 to RMB20.9 million in the first half of 2023.

Gross Profit and Gross Profit Margin

The gross profit of the Group decreased from RMB79.5 million in the first half of 2022 to RMB63.1 million in the first half of 2023, representing a decrease of 20.7%, mainly attributable to a period-on-period decrease in revenue.

The overall gross profit margin of the Group increased to 75.1% in the first half of 2023 from 70.6% in the first half of 2022, mainly due to the larger proportion of the revenue from brand-integrated services, which has a higher gross profit margin, in the first half of 2023 and the high proportion of aged inventory sold at a price higher than net value, resulting in a slight period-on-period increase in actual comprehensive average gross profit margin.

Selling and Distribution Expenses and General and Administrative Expenses

Selling and distribution expenses in the first half of 2023 amounted to RMB50.6 million (the first half of 2022: RMB43.5 million), consisting primarily of concessionaire expenses relating to retail points and online stores, sales staff salaries and benefits, design and consulting expenses, depreciation of fixed assets, amortisation of store decoration expenses and depreciation of right-of-use assets. Expressed as a percentage, selling and distribution expenses in the first half of 2023 as a percentage of total revenue in the first half of 2023 was 60.3% (the first half of 2022: 38.6%), representing a significant increase compared with the same period last year, which was mainly because some wholly-owned subsidiaries of the Company were in bankruptcy liquidation procedures or bankruptcy reorganization procedures, the revenue of whose business involved are no longer consolidated into the consolidated financial statements of the Company, while the Group still needs to burden the fixed expenses, such as concessionaire expenses relating to retail points, salaries of business employees, and so on. Therefore, on the whole, the ratio of selling and distribution expenses to revenue was still at a high level. General and administrative expenses in the first half of 2023 amounted to RMB43.9 million (the first half of 2022: RMB52.3 million), consisting primarily of administrative employee salaries and benefit expenses, consulting service fees and property rents. Expressed as a percentage, general and administrative expenses as a percentage of total revenue in the first half of 2023 were 52.3% (the first half of 2022: 46.5%). The contribution of administrative staff salaries and benefits and that of consulting service fees to our revenue for the Reporting Period increased from the corresponding period last year.

Asset Impairment Loss

The asset impairment loss for the first half of 2023 was RMB5.0 million (the first half of 2022: RMB18.0 million), which was mainly due to a decrease in the provision for impairment of inventories compared to the corresponding period last year.

Credit Impairment Loss

Credit impairment losses recorded RMB-17.2 million for the first half of 2023 (the first half of 2022: RMB15.5 million), mainly due to the decrease in the provision for expected credit losses on accounts receivable compared to the corresponding period of last year and that certain accounts receivable were partly recovered.

Investment Loss

Investment loss for the first half of 2023 was RMB457.3 million (the first half of 2022: RMB-0.5 million), mainly due to the loss on derecognition resulting from it that Shanghai Nuoxing and La Chapelle Taicang, subsidiaries of the Company, entered into bankruptcy liquidation procedures and bankruptcy reorganization procedures in the period, and they are no longer consolidated into the consolidated financial statements of the Company.

Other Income – Net

The Group's other income amounted to RMB14.1 million in the first half of 2023 (the first half of 2022: RMB10.4 million), mainly due to the increase in taxes and additional deductions incurred during this period.

Finance Expenses/Income – Net

The Group's net finance expenses were RMB47.1 million in the first half of 2023 (the first half of 2022: net finance expenses of RMB80.1 million). The decrease in the net financial expenses was mainly due to the cessation of accrual of interest on borrowings resulting from the Company's entering into bankruptcy liquidation procedures in the period.

Loss before Income Tax

Loss before income tax of the Group increased from RMB178.3 million in the first half of 2022 to a loss before income tax of RMB578.5 million in the first half of 2023, representing an increase of 224.5% from the corresponding period of last year. The increase in loss before income tax was mainly due to (1) the Company still faces a high level of overdue debts, which resulted in accumulation in interest on debts and overdue penalty interests totaling approximately RMB110 million and (2) as Shanghai Nuoxing and La Chapelle Taicang, former subsidiaries of the Company, entered into bankruptcy liquidation procedures and bankruptcy reorganization procedures respectively in the Reporting Period, the Company lost control over them, resulting in a loss on derecognition of approximately RMB460 million.

Income Tax Expense/Waiver

Income tax expense amounted to RMB0.3 million for the first half of 2023 (the first half of 2022: RMB1.6 million). The effective income tax rate in the first half of 2023 was -0.1% (the first half of 2022: -0.9%).

Net Loss and Net Loss Margin for the Reporting Period

As a result of the foregoing, net loss of the Group for the first half of 2023 amounted to RMB578.8 million, representing an increase of 221.7% from the net loss of RMB179.9 million for the first half of 2022. In particular, net loss for the Reporting Period attributable to the shareholders of the Company was RMB565.2 million, representing an increase of 218.1% from the net loss of RMB177.6 million for the first half of 2022. Net loss margin for the period of the Group was 689.2% in the first half of 2023, compared to a net loss margin of 159.8% in the first half of 2022.

Capital Expenditure

Capital expenditure of the Group primarily consisted of capital expenditure related to retail stores. In the first half of 2023, the capital expenditure incurred by the Group was RMB1.0 million (the first half of 2022: RMB3.1 million).

Cash and Cash Flow

In the first half of 2023, net cash generated from operating activities amounted to an outflow of RMB1.6 million (first half of 2022: inflow of RMB6.5 million). The decrease in net cash generated from operating activities was mainly due to the Company having to bear the fixed costs in relation to operating activities despite a decrease in revenue.

In the first half of 2023, net cash used in investing activities amounted to a net cash outflow of RMB4.6 million (the first half of 2022: net outflow of RMB3.1 million). In the first half of 2023, the major net cash outflow in investing activities amounted to RMB3.5 million due to the loss control of subsidiaries.

In the first half of 2023, net cash used in financing activities amounted to an outflow of RMB0.5 million (the first half of 2022: net outflow of RMB0.7 million). Major financing activity in the first half of 2023 was payment relating to other financing activities resulting in a net cash outflow of RMB0.5 million.

As at 30 June 2023, the Group held cash and cash equivalents in the total amount of RMB29.4 million (31 December 2022: RMB36.1 million). In the first half of 2023, the net decrease in cash and cash equivalents was RMB6.7 million (the first half of 2022: net increase of RMB2.6 million), mainly due to the decrease in net cash flow from operating activities resulting from the decrease in the revenue from operating activities compared with the corresponding period last year.

In the first half of 2023, the average inventory turnover (based on apparel revenue) of the Group was 133 days (the first half of 2022: 146 days), and the average receivables turnover was 75 days for the first half of 2023 (based on principal business revenue) (the first half of 2022: 197 days). The period-on-period increase in inventory turnover rate was mainly due to the higher decrease rate of accounts receivable than that of revenue of the Group resulting from the derecognition of some subsidiaries.

As at 30 June 2023, current liabilities of the Group amounted to RMB3,344.6 million (31 December 2022: current liabilities amounted to RMB3,227.8 million). Total assets less current liabilities amounted to RMB-2,630.7 million (31 December 2022: total assets less current liabilities amounted to RMB-2,071.6 million). The gearing ratio (formula used: total liabilities/total assets) was 541.7% (31 December 2022: 322.6%).

Most transactions of the Group carried out in mainland China are settled in Renminbi. The Group also pays dividends to holders of H Shares in Hong Kong dollars.

Total equity attributable to shareholders of the Company

As at 30 June 2023, total equity attributable to shareholders of the Company was RMB-3,071.0 million (as at 31 December 2022: RMB-2,505.8 million).

Bank loans and other borrowings

As at 30 June 2023, bank borrowings of the Group amounted to RMB1,147.7 million (31 December 2022: outstanding loan balance amounted to RMB1,147.7 million), which mainly included mortgages, pledges and guaranteed loans due within one year.

Pledge of assets

(1) As at 30 June 2023, the book value of properties and buildings used as mortgage for bank loans was RMB197.4 million (31 December 2022: RMB513.6 million).

(2) As at 30 June 2023, the book value of projects under construction was RMB70.0 million (31 December 2022: 70.0 million) were used as mortgage to obtain bank loans.

(3) As at 30 June 2023, the land use right book value was RMB52.1 million (31 December 2022: RMB86.8 million) was used to support a mortgage to obtain bank loans; the amortization amount of the land use right in the first half of 2023 was RMB0.7 million (the first half of 2022: RMB2.8 million)

Litigation and Contingent liabilities

(a) In May 2019, the Company pledged 100% of its equity interest in a former wholly-owned subsidiary LaCha Fashion I Limited ("**LaCha Fashion I**"), 100% of its equity interest in LaCha Apparel II Sàrl ("**LaCha Apparel II**"), and 100% of its equity interest in Naf Naf SAS to Gemstone Advantage Limited (previous name: HTI ADVISORY COMPANY LIMITED, "**Gemstone Advantage**") for a loan of EUR37.4 million to fund the consideration for acquiring 60% equity interest in Naf Naf SAS. The Company accepted joint and several liability for the loan. Subsequently, due to the Company's liquidity difficulties and the deterioration of Naf Naf SAS's operating conditions, the Company failed to repay the loan on time.

On 25 February 2020, Gemstone Advantage took over LaCha Fashion I. As a result, the Company was unable to control or exert any influence on it, and therefore lost actual control of it, thereby also losing control over LaCha Fashion I's subsidiaries, i.e. LaCha Apparel II and Naf Naf SAS. Gemstone Advantage has commenced proceedings in order that the Company and its subsidiaries be ordered to be jointly and severally liable for the repayment of the loan. Afterwards, Gemstone Advantage withdrew the case and then filed a new case, which was later withdrawn again. For details, please refer to the Company's announcements or the announcements of the administrator of the Company dated 25 September 2020, 31 August 2022, 16 January 2023, 17 January 2023 and 16 May 2023.

As the Company may be jointly and severally liable for repayment of the loan, an estimated liability of RMB454.0 million was provided for.

(b) As a result of the Group's involvement in litigation and arbitration cases, some of the Group's bank accounts have been frozen. As at 30 June 2023, an aggregate of 103 bank accounts of the Group have been frozen, involving an aggregate frozen amount of approximately RMB24 million. As at 30 June 2023 as a result of factors such as the Group's involvement in litigation cases, the Company's equity interest in 11 of its subsidiaries have been frozen, involving an aggregate frozen amount of approximately RMB202 million. The freezing of the Company's equity interest mentioned above has not substantively affected the normal operation of the Company and the relevant subsidiaries. However, there is a risk that the equity interest may be judicially disposed of. The Company will proactively communicate with the relevant courts and creditors in order to properly resolve the freezing of the equity interest and maintain the stability of the Company's business. For details, please refer to the announcement of the administrator of the Company dated 3 July 2023.

As at 30 June 2023, as a result of the Company's involvement in a total of 15 litigation cases arising from disputes such as disputes over loan agreements and construction agreements, 2 properties of the Company (with an aggregate book value of approximately RMB0.321 billion as at 31 May 2023) have been seized. The seizure has caused restriction on rights and there is a risk that the properties may be judicially auctioned for debt repayment. The Company will proactively engage with the relevant parties in order to properly resolve the seizure of the properties, and actively negotiate and conciliate with the applicants for the freezing order to release the properties from right restrictions and restore them to normal conditions as soon as possible. For details, please refer to the announcement of the administrator of the Company dated 3 July 2023.

For the details of the update announcements after the Reporting Period, please refer to the section "EVENTS AFTER REPORTING PERIOD" of "OTHER INFORMATION" below.

BUSINESS REVIEW

Retail Network

For the six months ended 30 June 2023, the number of domestic retail outlets of the Group was 200, down from 218 as at 31 December 2022, which were situated at approximately 122 physical locations. The number of retail points was counted on the basis used for that as at 31 December 2015.

The table below sets out the distribution of the Group's retail points as at 30 June 2023 and as at 31 December 2022 by tier of cities in the PRC:

	As at 30 June 2023		As at 31 December 2022	
	Number of retail points	**Percentage of total (%)**	Number of retail points	Percentage of total (%)
First-tier cities	**29**	**14.5**	35	16.1
Second-tier cities	**77**	**38.5**	97	44.5
Third-tier cities	**37**	**18.5**	40	18.3
Other cities	**57**	**28.5**	46	21.1
Total	**200**	**100.0**	218	100.0

Note: In respect of the classification of the tier of cities, please refer to the prospectus of the Company dated 24 September 2014.

The table below sets out the distribution of the Group's retail points in the PRC as at 30 June 2023 and as at 31 December 2022 by types of retail points:

	As at 30 June 2023		As at 31 December 2022	
	Number of retail points	**Percentage of total (%)**	Number of retail points	Percentage of total (%)
Concessionaire counters	**86**	**43.0**	87	39.9
Standalone retail outlets	**30**	**15.0**	27	12.4
Franchise/Associate	**84**	**42.0**	104	47.7
Total	**200**	**100.0**	218	100.0

The table below sets out the distribution of the Group's retail points in the PRC as at 30 June 2023 and as at 31 December 2022 by brands:

	As at 30 June 2023		31 December 2022	
	Number of retail points	**Percentage of total (%)**	Number of retail points	Percentage of total (%)
La Chapelle	**100**	**50.0**	95	43.5
Puella	**32**	**16.0**	42	19.3
7 Modifier	**14**	**7.0**	31	14.2
La Babité	**7**	**3.5**	20	9.2
Candie's	**–**	**–**	–	–
USHGEE	**47**	**23.5**	25	11.5
Menswear	**–**	**–**	4	1.8
8ém	**–**	**–**	1	0.5
Other brands	**–**	**–**	–	–
Total	**200**	**100.0**	218	100.0

Note: The number of stores of the Company is calculated based on the number of retail points, that is, if multiple brands are included in the same collection store, the collection store is counted as multiple terminal retail points. During the Reporting Period, continuously streamlined its offline terminal channel and further closed and made adjustments in some loss-making and inefficient stores.

The table below sets out the distribution of the Group's net retail points open/(closure) in the PRC in the first half of 2023 by brands:

	As at 30 June 2023	
	Number of Net retail points closure	**Percentage of total (%)**
La Chapelle	**5**	**(27.8)**
Puella	**(10)**	**55.6**
7 Modifier	**(17)**	**94.4**
La Babité	**(13)**	**72.2**
Candie's	**–**	**–**
USHGEE	**22**	**(122.2)**
Menswear	**(4)**	**22.2**
8ém	**(1)**	**5.6**
Other brands	**–**	**–**
Total	**(18)**	**100.0**

During the Reporting Period, the number of retail points of the Group's major brands declined.

Despite the complex and ever-changing internal and external environment in the first half of 2023, the Company has always followed the general principle of "maintaining the stability of its main business and promoting transformation and innovation", and maintained the stability of its basic production and operation and core business. At the same time, the Company continued promote changes in the areas of brand rebranding, product innovation and channels optimization to promote brand connotation, brand image enhancement and quality and efficiency improvement in its end-offline retail business. The Company continued to rationalize its internal management system and organizational structure and clarifying the business development path and key measures in the future, thereby laying a solid foundation for returning to a healthy growth path.

FUTURE OUTLOOK

In the second half of 2023, the Company will continue to pursue the theme of "Transformation", and will strive to eliminate its debt burden through bankruptcy restructuring, improve its going concern capability and operating conditions, and achieve quantitative and qualitative transformation.

1. Plan and facilitate the bankruptcy restructuring process and strive to eliminate the debt burden through a comprehensive package.

As at the latest practicable date before printing this report (i.e. 19 September 2023), the Company has entered into the reorganisation procedure. The administrator of the Company is actively reaching out to the public to invite reorganisation investors. The Company has initiated discussion with certain of its creditors with respect to the feasibility of conducting bankruptcy restructuring before the initiation of the bankruptcy procedure and has been continuously discussing with such creditors. The Company will still aims to protect the legitimate rights and interests of creditors and safeguard the overall value of the Company and conduct in-depth analysis and discussions with its shareholders and creditors on the draft reorganisation plan, discuss with relevant parties to resolve the Company's debts and to plan future operational development, proactively facilitate the bankruptcy restructuring process, with a view to resolving the Company's debt problems, and thereby enhancing the Company's main business scale and sustainable profitability, and promoting the Company's early return to a positive growth path.

2. Strengthen online business brand empowerment and to achieve scale breakthrough and better performance.

The Company will continue to increase its business development efforts in brand empowerment, cooperate with distributors and pipelines with quality industry resources and rich operational experience, expand the brands, categories of goods and platform pipelines covered by its online business, and accelerate the transformation to a light-asset, high-margin, fast-turnaround business model. At the same time, the Company will extend its business chain to provide comprehensive services such as brand culture, image visualization, supply chain integration, data analysis and operation and maintenance enhancement to online customers, establishing a mutually beneficial cooperation and long-term sustainable win-win mechanism. In addition, the Company has adopted self-operated livestreaming business in the form of self-operated online core shops in combination with live-streaming in offline shops, integrating offline retail outlets with online new retail business, empowering the terminal retail shops to attract consumer traffic and achieve multi-level access to consumers, facilitating the Company's scale breakthrough and performance realization.

3. Continue focusing on refining offline management capabilities and improving business profitability.

The Company will expand offline business based on the criteria of profit and continue to adhere to its strategy of "opening new shops and opening good shops" and fully focus on the more profitable southwest, northwest and northern regions in China, with shops in the core business areas being directly operated by the Company and shops in the remaining business areas operated through both franchise and associates model to achieve the effect of reducing the management radius and operating capital investment. At the same time, the Company will continue focusing on improving the level of refinement of management, adopting the management mindset of "headquarters management reaches stores and management responsibility reaches individual staff", actively adjusting product strategy and staff structure, and improving shop efficiency and profitability of the offline network.

4. Strengthen comprehensive budget management and cost control to ensure a stable balance of funds for operations.

The Company will persistently strengthen its overall budget management and cost control and improve the profitability of its main business through implementing "cost reduction and efficiency enhancement" measures. During the Reporting Period, the Company has taken measures to improve management, optimize process, streamline redundant staff in line with the business restructuring process, so as to optimize expenses and costs as well as proactively promote benign collaboration across departments and enhance management efficiency to achieve organizational efficiency improvement. In the future, the Company will pay more attention to the preparation, control and execution of comprehensive budget, focus on strengthening cost control at source, strictly control various costs and expenses, conduct input and output analysis for key expenses, and form a closed-loop management for important expenses and project expenditures. The Company will also strengthen the management of payments and receipts for supply chain and for brand empowerment and monitor and supervise the overall budgeting process to ensure a stable balance of funds for the Company's operations.

OTHER INFORMATION

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2023, none of the Directors, Supervisors and the chief executives of the Company have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**")) which were (i) required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such positions of the SFO); or (ii) recorded in the register required to be kept under section 352 of the SFO, or (iii) otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "**Model Code**").

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

For the six months ended 30 June 2023, no rights to acquire benefits by means of the acquisition of shares in or debentures of the Company were granted to any Director, Supervisor or their respective spouse or children under 18 years of age, nor were any such rights exercised by them, nor was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2023, the following persons (not being a Director, Supervisor or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Nature of interest and capacity	Number of Shares interested[6,7]	Approximate percentage shareholding in the relevant class of Shares as at 30 June 2023	Approximate percentage shareholding in the total issued Shares at 30 June 2023
Shanghai Qijin Enterprise Management Partnership LLP* (上海其錦企業管理合夥企業(有限合夥))[1]	Beneficial owner	85,200,000 Domestic Shares (L)	25.59%	15.56%
Hangzhou Wensheng Lijin Asset Management Co., Ltd. *(杭州文盛勵錦資產管理有限公司)[1]	Interest in controlled corporation	85,200,000 Domestic Shares (L)	25.59%	15.56%
Hangzhou Wensheng Xiangwen Asset Management Co., Ltd. *(杭州文盛祥文資產管理有限公司)[1]	Interest in controlled corporation	85,200,000 Domestic Shares (L)	25.59%	15.56%
Shanghai Wensheng Asset Management Co., Ltd. * (上海文盛資產管理股份有限公司)[1]	Interest in controlled corporation	85,200,000 Domestic Shares (L)	25.59%	15.56%
	Beneficial owner	21,600,000 Domestic Shares (L)	6.49%	3.94%

Name of Shareholder	Nature of interest and capacity	Number of Shares interested[6,7]	Approximate percentage shareholding in the relevant class of Shares as at 30 June 2023	Approximate percentage shareholding in the total issued Shares at 30 June 2023
Haitong Securities Asset Management No. 1 FOF Single Asset Management Plan of the Series Supporting Private Enterprises on behalf of the Securities Industry* (證券行業支持民企系列之海通證券資管1號 FOF 單一資產管理計劃)[2]	Beneficial owner	80,000,000 Domestic Shares (L)	24.03%	14.61%
China Merchants Asset Management, Construction and Investment Overseas No. 1 Overseas Single Asset Management Plan*(招商資管建投海外1號海外單一資產管理計劃)	Others	11,400,000 H Shares (L)	5.31%	2.08%
China Cinda Asset Management Co., Ltd.[3]	Interest in controlled corporation	49,597,132 H Shares (L)	23.09%	9.06%
Ningbo Meishan Free Trade Zone Jinxin Changtai Investment Partnership (Limited Partnership)* (寧波梅山保稅港區金信昌泰投資(有限合夥))[4]	Beneficiary of a trust	22,150,000 H Shares (L)	10.31%	4.04%
Zhejiang Longsheng Group Co., Ltd.* (浙江龍盛集團股份有限公司)[5]	Interest in controlled corporation	22,236,800 H Shares (L)	10.35%	4.06%
Senda International Capital Limited[5] (盛達國際資本有限公司)	Beneficial owner	16,630,800 H Shares (L)	7.74%	3.04%

Notes:

1. Shanghai Wensheng was beneficially interested in 21,600,000 Domestic Shares and deemed to be interested in 85,200,000 Domestic Shares held by Shanghai Qijin. Shanghai Wensheng indirectly holds 100% of Shanghai Qijin's shares through its wholly-owned subsidiaries of Hangzhou Wensheng Xiangwen Asset Management Co., Ltd. and Hangzhou Wensheng Lijin Asset Management Co., Ltd..

2. Shanghai Haitong Securities Asset Management No. 1 FOF Single Asset Management Plan of the Series Supporting Private Enterprises on behalf of the Securities Industry* (證券行業支持民企系列之海通證券資管1號 FOF 單一資產管理計劃) managed by Haitong Securities Asset Management Co., Ltd.* (上海海通證券資產管理有限公司) directly holds 80,000,000 Domestic Shares.

3. China Cinda Asset Management Co., Ltd. was deemed to be interested in an aggregate of 49,597,132 H shares of the Company by virtue of the SFO. Those interests are held through Cinda Investment Co., Ltd., Hainan Jianxin Investment Management Co., Ltd. and Jinxin Changtai Investment Partnership in Meishan Bonded Port Area, Ningbo (Limited Partnership).

4. Ningbo Meishan Free Trade Zone Jinxin Changtai Investment Partnership (Limited Partnership)* (寧波梅山保稅港區金信昌泰投資(有限合夥)) invested in H Shares of the Company as an asset principal through China Merchants Asset Management, Construction and Investment Overseas No. 1 Single Asset Management Plan.

5. These H Shares were held by Senda International Capital Limited and Well Prospering Limited, being wholly-owned subsidiaries of Zhejiang Longsheng Group Co., Ltd.* (浙江龍盛集團股份有限公司), which held 16,630,800 H Shares and 5,606,000 H Shares respectively.

6. The letter "L" denotes the person's or entity's long position in Shares.

Other than as disclosed above, As at 30 June 2023, the Directors have not been notified by any person (not being the Directors, Supervisors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept pursuant to Section 336 of the SFO.

INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the six months ended 30 June 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group did not have any significant investments held or material acquisitions or disposals of subsidiaries during the period under review, and no plans have been authorised by the Board for any material investments or additions of capital assets as at the date of this interim report.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance with a view to safeguarding the interests of its shareholders and enhancing corporate value. In the opinion of the Board, the Company has been in compliance with the code provisions (the "**Code Provision(s)**") of the Corporate Governance Code as contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") for the six months ended 30 June 2023 and as at the latest practicable date before printing this report, save as to the deviation from the Code Provision C.1.8 of Part 2.

Under Code Provision C.1.8 of Part 2, an issuer should arrange appropriate insurance cover in respect of legal action against its directors. Currently, the Company does not have insurance cover for legal action against its Directors as the Board considers that no director liability insurance on the market can provide sufficient protection for its Directors at a reasonable insurance premium. Therefore, benefits to be derived from taking out insurance may not outweigh the costs.

Save as disclosed above, there has been no deviation from the Code Provisions of the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules for the six months ended 30 June 2023.

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted its own policies for securities transactions (the "**Company Code**") by Directors, supervisors of the Company (the "**Supervisor(s)**") and relevant employees on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made to all the Directors and the Supervisors by the Company and all Directors and Supervisors have confirmed that they have complied with the Model Code and the Company Code for the six months ended 30 June 2023.

CHANGE IN INFORMATION REGARDING DIRECTORS AND SUPERVISORS ACCORDING TO RULE 13.51B (1) OF THE LISTING RULES

In accordance with Rule 13.51B(1) of the Listing Rules, there is no change in the information regarding Directors and Supervisors, which are the consistent with the information set out in the 2022 annual report.

REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") has reviewed the unaudited interim results of the Group for the six months ended 30 June 2023 and has discussed with the management on the accounting principles and practices adopted by the Group, internal controls and financial reporting matters. The Audit Committee currently comprises one non-executive Director, namely Ms. Wang Yan, and two independent non-executive Directors, namely Mr. Xing Jiangze and Ms. Chow Yue Hwa Jade.

EVENTS AFTER REPORTING PERIOD

As at the latest practicable date before printing this report (i.e. 19 September 2023), the events after reporting period are as follows.

(1) As a result of a dispute over a property lease agreement, Nanbu County Mei Hao Jia Yuan Real Estate Development Co., Ltd.* (南部縣美好家園房地產開發有限公司) applied for reopening retrial of its claim against the Company and its subsidiaries, and the Company received retrial judgement. For details, please refer to the announcement of the administrator of the Company dated 28 July 2023.

(2) As a result of disputes over financial loan agreements, China Huarong Asset Management Co., Ltd.* (中國華融資產管理股份有限公司) sued the Company and its wholly-owned subsidiaries, and the Company received the first instance judgements. For details, please refer to the announcements of the administrator of the Company dated 7 July 2023 and 1 August 2023.

(3) As a result of disputes over guarantee agreement, China Huarong Asset Management Co., Ltd.* (中國華融資產管理股份有限公司) sued the Company, and the Company received a first instance judgement. For details, please refer to the announcements of the administrator of the Company dated 1 August 2023.

(4) As a result of disputes over financial loan agreements, China CITIC Bank Corporation Limited Shanghai Branch* (中信銀行股份有限公司上海分行) sued the Company and its subsidiaries. The case has reached the stage of applications for compulsory enforcement. The assets held by Chengdu Lewei Fashion Co., Ltd.* (成都樂微服飾有限公司) was put up for judicial auction through the online platform of Taobao.com from 10:00 a.m. on 17 July 2023 to 10:00 a.m. on 18 July 2023. As at the end of the auction, no bids had been placed, so the auction has failed to find any buyers. The above-mentioned assets were put up for a second judicial auction through the online platform of Taobao.com from 10:00 a.m. on 7 August 2023 to 10:00 a.m. on 8 August 2023. This judicial auction has already produced bidding results. For details, please refer to the announcements of the administrator of the Company dated 18 July 2023, 21 July 2023 and 8 August 2023.

(5) As a result of the Group's involvement in litigation and arbitration cases, some of the Group's bank accounts have been frozen. As at 31 August 2023, an aggregate of 102 bank accounts of the Group have been frozen, involving an aggregate frozen amount of approximately RMB13 million. As at 31 August 2023, as a result of factors such as the Group's involvement in litigation cases, the Company's equity interest in 10 of its subsidiaries have been frozen, involving an aggregate frozen amount of approximately RMB195 million. The freezing of the Company's equity interest mentioned above has not substantively affected the normal operation of the Company and the relevant subsidiaries. However, there is a risk that the equity interest may be judicially disposed of. The Company will proactively communicate with the relevant courts and creditors in order to properly resolve the freezing of the equity interest and maintain the stability of the Company's business. For details, please refer to the announcement of the administrator of the Company dated 1 September 2023.

As at 31 August 2023, as a result of the Company's involvement in a total of 13 litigation cases arising from disputes such as disputes over loan agreements and construction agreements, 1 property of the Company (with an aggregate book value of approximately RMB0.219 billion as at 31 July 2023) have been seized. The seizure has caused restriction to rights and there is a risk that the properties may be judicially auctioned for debt repayment. The Company will proactively coordinate with the relevant parties, properly handle the seizures, and actively negotiate with the applicants for such seizures so that the rights restrictions can be lifted and the properties involved can return to normal conditions as soon as possible. For details, please refer to the announcement of the administrator of the Company dated 1 September 2023.

(6) The Company has applied to the Shanghai No. 3 Intermediate People's Court* (上海市第三中級人民法院) for entering into reorganization procedure on 29 August 2023. Shanghai No.3 Intermediate People's Court* (上海市第三中級人民法院) ordered the reorganisation of the Company on 12 September 2023. The administrator of the Company published the Announcement on Invitation for Reorganisation Investors for the Bankruptcy Reorganisation Case of Xinjiang La Chapelle Fashion Co., Ltd.* (《新疆拉夏貝爾服飾股份有限公司破產重整案重整投資人招募公告》) on the National Enterprise Bankruptcy and Reorganization Case Information Website* (全國企業破產重整案件信息網) (http://pccz.court.gov.cn) on 15 September 2023. For details, please refer to the announcements of the administrator of the Company dated 30 August 2023, 12 September 2023 and 15 September 2023.

Saved as disclosed herein, there was no other material event that may possibly affect the Group since the end of the Reporting Period.

APPRECIATION

The Board would like to express its sincere appreciation to the shareholders, customers, suppliers and staff for their continued support to the Group.

By Order of the Board
Xinjiang La Chapelle Fashion Co., Ltd.
Mr. Zhao Jinwen
Chairman

Shanghai, the PRC, 26 September 2023

Interim Consolidated Balance Sheet

As at 30 June 2023

(All amounts in RMB'000 unless otherwise stated)

Assets	Note V	Closing Balance	Opening Balance
Current assets:			
Monetary Funds	(I)	**87,421**	100,238
Financial assets held for trading		**–**	–
Derivative financial assets		**–**	–
Notes receivable		**–**	–
Accounts receivable	(II)	**18,401**	42,580
Accounts receivable financing		**–**	–
Prepayments	(III)	**5,458**	5,004
Other receivables	(IV)	**6,810**	11,298
Inventories	(V)	**33,917**	38,699
Contract assets		**–**	–
Held-for-sale assets		**–**	–
Non-current assets due within a year	(VI)	**–**	–
Other current assets	(VII)	**30,246**	32,288
Total current assets		**182,253**	230,107
Non-current assets:			
Debt investments		**–**	–
Other debt investments		**–**	–
Long-term receivables		**–**	–
Long-term equity investments	(VIII)	**108,037**	106,264
Other equity instruments investment	(IX)	**–**	–
Other non-current financial assets	(X)	**91,878**	92,208
Investment properties		**–**	–
Fixed assets	(XI)	**200,127**	526,254
Construction in progress	(XII)	**69,778**	69,778
Productive biological assets		**–**	–
Oil and Gas assets		**–**	–
Right-of-use assets	(XIII)	**3,802**	36,427
Intangible assets	(XIV)	**54,644**	91,125
Development expenditure		**–**	–
Goodwill		**–**	–
Long-term prepaid expenses	(XV)	**3,367**	4,028
Deferred tax assets		**–**	–
Other non-current assets		**–**	–
Total non-current assets		**531,633**	926,084
Total assets		**713,886**	1,156,191

(Attached notes to statements are part of the consolidated financial statements)

Interim Consolidated Balance Sheet

As at 30 June 2023

(All amounts in RMB'000 unless otherwise stated)

Liability and Equity	Note V	Closing Balance	Opening Balance
Current liabilities:			
Short-term borrowings	(XVIII)	**1,147,749**	1,147,748
Financial liabilities held for trading		**–**	–
Derivative financial liabilities		**–**	–
Notes payable		**–**	–
Accounts payable	(XIX)	**1,104,032**	893,963
Advance from customers	(XX)	**943**	267
Contract liabilities	(XXI)	**3,414**	4,408
Payroll Payable	(XXII)	**7,625**	10,563
Tax payable	(XXIII)	**143,267**	201,028
Other payables	(XXIV)	**934,993**	958,932
Held-for-sale liabilities		**–**	–
Non-current liability due within one year	(XXV)	**2,105**	10,348
Other current liabilities	(XXVI)	**449**	578
Total current liabilities		**3,344,577**	3,227,835
Non-current liabilities:			
Long-term borrowings		**–**	–
Bonds payable		**–**	–
Including: Preferred stock		**–**	–
Perpetual debt		**–**	–
Lease liabilities	(XXVII)	**1,942**	26,673
Long-term payables		**–**	–
Long-term payroll payable		**–**	–
Estimated liabilities	(XXXVIII)	**516,092**	469,473
Deferred income		**–**	–
Deferred tax liabilities		**–**	–
Other non-current liabilities	(XXIX)	**4,650**	5,419
Total non-current liabilities		**522,684**	501,565
Total liabilities		**3,867,261**	3,729,400

(Attached notes to statements are part of the consolidated financial statements)

(All amounts in RMB'000 unless otherwise stated)

Liability and Equity	Note V	Closing Balance	Opening Balance
Equity:			
Share capital	(XXX)	**547,672**	547,672
Other equity instruments		**–**	–
Including: Preferred stock		**–**	–
Perpetual debt		**–**	–
Capital surplus	(XXXI)	**1,910,806**	1,910,806
Less: Treasury share	(XXXII)	**20,010**	20,010
Other comprehensive income	(XXXIII)	**(43,606)**	(43,606)
Special reserves		**–**	–
Surplus reserve	(XXXIV)	**246,788**	246,788
Undistributed profits	(XXXV)	**(5,712,664)**	(5,147,499)
Equity attributable to Shareholders of the Company		**(3,071,014)**	(2,505,849)
Non-controlling interests		**(82,361)**	(67,360)
Total equity		**(3,153,375)**	(2,573,209)
Total liabilities and equity		**713,886**	1,156,191

Legal representative: **Zhao Jinwen**

Principal in charge of accounting: **Hu Zhiguo**

Head of accounting department: **Hu Zhiguo**

(Attached notes to statements are part of the consolidated financial statements)

Interim Company Balance Sheet

As at 30 June 2023

(All amounts in RMB'000 unless otherwise stated)

Assets	Note XV	Closing Balance	Opening Balance
Current assets:			
Monetary Funds		**44,838**	34,823
Financial assets held for trading		**–**	–
Derivative financial assets		**–**	–
Notes receivable		**–**	–
Accounts receivable	(I)	**1,502,543**	1,475,334
Accounts receivable financing		**–**	–
Prepayments		**1,019**	1,784
Other receivables	(II)	**271,949**	299,272
Inventories		**10,045**	16,554
Contract assets		**–**	–
Held-for-sale assets		**–**	–
Non-current assets due within a year		**–**	–
Other current assets		**3,358**	2,726
Total current assets		**1,833,752**	1,830,493
Non-current assets:			
Debt investments		**–**	–
Other debt investments		**–**	–
Long-term receivables		**–**	–
Long-term equity investments	(III)	**487,020**	582,020
Other equity instruments investments		**–**	–
Other non-current financial assets		**22,344**	22,540
Investment properties		**–**	–
Fixed assets		**1,819**	2,459
Construction in progress		**–**	–
Productive biological assets		**–**	–
Right-of-use assets		**–**	30,968
Intangible assets		**2,565**	4,309
Development expenditure		**–**	–
Goodwill		**–**	–
Long-term prepaid expenses		**–**	–
Deferred tax assets		**–**	–
Other non-current assets		**–**	–
Total non-current assets		**513,748**	642,296
Total assets		**2,347,500**	2,472,789

(Attached notes to statements are part of the consolidated financial statements)

Interim Company Balance Sheet

As at 30 June 2023
(All amounts in RMB'000 unless otherwise stated)

Liability and Equity	Note XV	Closing Balance	Opening Balance
Current liabilities:			
Short-term borrowings		**597,749**	597,748
Financial liabilities held for trading		**–**	–
Derivative financial liabilities		**–**	–
Notes payable		**–**	–
Accounts payable		**1,032,618**	1,034,143
Advance from customers		**728**	221
Contract liabilities		**–**	1,334
Payroll payable		**1,454**	544
Tax payables		**97,431**	98,060
Other payables		**1,373,636**	1,358,432
Held-for-sale liabilities		**–**	–
Non-current liability due within a year		**–**	6,713
Other current liabilities		**–**	174
Total current liabilities		**3,103,616**	3,097,369
Non-current liabilities:			
Long-term borrowings		**–**	–
Bonds payable		**–**	–
Including: Preferred stock		**–**	–
Perpetual debt		**–**	–
Lease liabilities		**–**	24,526
Long-term payables		**–**	–
Long-term payroll payable		**–**	–
Estimated liabilities		**715,772**	49,179
Deferred income		**–**	–
Deferred tax liabilities		**–**	–
Other non-current liabilities		**–**	–
Total non-current liabilities		**715,772**	73,705
Total liabilities		**3,819,388**	3,171,074

(Attached notes to statements are part of the consolidated financial statements)

Interim Company Balance Sheet

As at 30 June 2023

(All amounts in RMB'000 unless otherwise stated)

Liability and Equity	Note XV	Closing Balance	Opening Balance
Equity:			
Share capital		**547,672**	547,672
Other equity instruments		**–**	–
Including: Preferred stock		**–**	–
Perpetual debt		**–**	–
Capital surplus		**1,897,270**	1,897,270
Less: Treasury share		**20,010**	20,010
Other comprehensive income		**–**	–
Special reserves		**–**	–
Surplus reserve		**246,788**	246,788
Undistributed profits		**(4,143,608)**	(3,370,005)
Total equity		**(1,471,888)**	(698,285)
Total liabilities and equity		**2,347,500**	2,472,789

Legal representative:	Principal in charge of accounting:	Head of accounting department:
Zhao Jinwen	**Hu Zhiguo**	**Hu Zhiguo**

(Attached notes to statements are part of the consolidated financial statements)

Interim Consolidated Income Statements

January 1 to June 30 2023
(All amounts in RMB'000 unless otherwise stated)

Items	Note V	For the six months period ended June 30	
		Current period	Last period
1. Revenue	(XXXVI)	**83,988**	112,584
Less: Costs of sales	(XXXVI)	**20,925**	33,102
Taxes and surcharges	(XXXVII)	**1,398**	8,560
Selling and distribution expenses	(XXXVIII)	**50,613**	43,522
Administrative expenses	(XXXIX)	**43,945**	52,319
Research and development expenses		**–**	–
Finance expenses	(XL)	**47,057**	80,131
Including: Interest expenses		**47,338**	80,617
Interest income		**511**	698
Add: Other income	(XLI)	**14,080**	10,444
Investment income	(XLII)	**(457,311)**	523
Including: Investment income from associates and joint ventures		**1,773**	(2,260)
Derecognition of financial assets at amortized cost		**–**	–
Gain/(Loss) from net exposure hedging		**–**	–
Gain/(Loss) on fair value changes	(XLIII)	**(330)**	(969)
Credit impairment losses	(XLIV)	**17,176**	(15,487)
Asset impairment losses	(XLV)	**(4,976)**	(18,006)
Gain/(Loss) on disposal of assets	(XLVI)	**413**	(846)
2. Operating profit		**(510,898)**	(129,391)
Add: Non-operating income	(XLVII)	**142**	1,043
Less: Non-operating expenses	(XLVIII)	**67,783**	49,929
3. Profit before tax		**(578,539)**	(178,277)
Less: Income tax expenses	(XLIX)	**293**	1,639
4. Net profit		**(578,832)**	(179,916)
I. Classified by continuity of operations			
Net profit from continuing operations		**(578,832)**	(179,916)
Net profit from discontinuing operations		**–**	–
II. Classified by ownership of the equity			
Net profit attributable to shareholders of the parent company		**(565,165)**	(177,649)
Net profit attributable to non-controlling interests		**(13,667)**	(2,267)

(Attached notes to statements are part of the consolidated financial statements)

Interim Consolidated Income Statements

January 1 to June 30 2023
(All amounts in RMB'000 unless otherwise stated)

Items	Note V	For the six months period ended June 30 Current period	Last period
5. Other comprehensive income, net of tax		**–**	
Other comprehensive income after tax attributable to parent company		**–**	
I. Items of other comprehensive income that cannot be reclassified into profit and loss			
i. Changes in fair value of investments in equity instruments		**–**	
II. Items of other comprehensive income reclassified to profit or loss		**–**	–
i. Translation differences on translation of foreign currency financial statement		**–**	–
Other comprehensive income attributable to non-controlling interests after tax		**–**	–
6. Total comprehensive income		**(578,832)**	(179,916)
Attributable to shareholders of the company		**(565,165)**	(177,649)
Attributable to non-controlling interests		**(13,667)**	(2,267)
7. Earnings per share			
I. Basic earnings per share		**(1.04)**	(0.33)
II. Diluted earnings per share		**(1.04)**	(0.33)

Legal representative:	Principal in charge of accounting:	Head of accounting department:
Zhao Jinwen	**Hu Zhiguo**	**Hu Zhiguo**

(Attached notes to statements are part of the consolidated financial statements)

Interim Company Income Statements

January 1 to June 30 2023
(All amounts in RMB'000 unless otherwise stated)

Items	Note XV	For the six months period ended June 30	
		Current period	Last period
1. Revenue	(IV)	**15,129**	35,832
Less: Costs of sales	(IV)	**3,358**	11,010
Taxes and surcharges		**105**	166
Selling and distribution expenses		**2,622**	3,156
Administrative expenses		**15,317**	15,253
Research and development expenses		**–**	–
Finance expenses		**7,993**	33,967
Including: Interest expenses		**8,326**	34,351
Interest income		**359**	395
Add: Other income		**708**	6,702
Investment income	(V)	**(134)**	2,679
Including: Investment income from associates and joint ventures		**–**	–
Derecognition of financial assets at amortized cost		**–**	–
Gain/(Loss) from net exposure hedging		**–**	–
Gain/(Loss) on fair value changes		**(197)**	(183)
Credit impairment losses		**10,867**	(8,774)
Asset impairment losses		**(98,858)**	(17,718)
Gain/(Loss) on disposal of assets		**252**	(97)
2. Operating profit		**(101,628)**	(45,111)
Add: Non-operating income		**111**	90
Less: Non-operating expenses		**671,953**	22,529
3. Profit before tax		**(773,470)**	(67,450)
Less: Income tax expenses		**133**	221
4. Net profit		**(773,603)**	(67,671)
i. Net profit from continuing operations		**(773,603)**	(67,671)
ii. Net profit from discontinuing operations		**–**	–
5. Other comprehensive income, net of tax		**–**	–
I. Items of other comprehensive income that cannot be reclassified into profit and loss		**–**	–
II. Items of other comprehensive income reclassified to profit or loss		**–**	–
6. Total comprehensive income		**(773,603)**	(67,671)

Legal representative: **Zhao Jinwen**

Principal in charge of accounting: **Hu Zhiguo**

Head of accounting department: **Hu Zhiguo**

(Attached notes to statements are part of the consolidated financial statements)

Interim Consolidated Cash Flow Statements

January 1 to June 30 2023
(All amounts in RMB'000 unless otherwise stated)

		For the six months period ended June 30	
Items	Note V	**Current period**	Last period
1. Cash flows from operating activities			
Cash received from sales of products or rendering of services		**78,946**	82,846
Tax and surcharge refunds		**1**	6,704
Cash received relating to other operating activities	(L)	**12,242**	8,032
Total cash inflows from operating activities		**91,189**	97,582
Cash paid for goods and services		**19,480**	23,025
Cash paid to and for employees		**32,424**	39,331
Taxes and surcharges paid		**5,320**	6,894
Other cash payments related to operating activities	(L)	**35,537**	21,858
Total cash outflows from operating activities		**92,761**	91,108
Net cash flows from operating activities		**(1,572)**	6,474
2. Cash flows from investing activities			
Cash received from return on investments		**–**	–
Cash received from gain on investment		**–**	–
Net cash received from disposals of fixed assets, intangible assets, and other long-term assets		**–**	–
Net cash received from disposal of subsidiaries and other business units		**–**	–
Cash received relating to other investing activities		**–**	
Total cash inflows from investing activities		**–**	–
Cash paid for fixed assets, intangible assets, and other long-term assets		**1,033**	3,084
Cash paid for investments		**–**	–
Net cash paid for acquiring subsidiaries and other business units		**–**	–
Cash paid relating to other investing activities	(L)	**3,541**	–
Total cash outflows from investing activities		**4,574**	3,084
Net cash flows from investing activities		**(4,574)**	(3,084)

(Attached notes to statements are part of the consolidated financial statements)

(All amounts in RMB'000 unless otherwise stated)

Items	Note V	For the six months period ended June 30 Current period	 Last period
3. Cash flows from financing activities			
Cash received from investments by others		**–**	–
Including: Cash received by subsidiaries from non-controlling investors		**–**	–
Cash received from borrowings		**–**	–
Other cash receipts related to other financing activities		**–**	–
Total cash inflows from financing activities		**–**	
Cash repayments of borrowings		**–**	–
Cash payments for distribution of dividends, profits or interest expenses		**–**	–
Including: Dividends or profit paid by subsidiaries to non-controlling investors		**–**	–
Other cash payments related to financing activities	(L)	**517**	748
Total cash outflows from financing activities		**517**	748
Net cash flows from financing activities		**(517)**	(748)
4. Effect of changes in foreign exchange rates on cash and cash equivalents		**–**	–
5. Net increase in cash and cash equivalents		**(6,663)**	2,642
Add: Opening balance of cash and cash equivalents		**36,052**	61,356
6. Closing balance of cash and cash equivalents		**29,389**	63,998

Legal representative: **Zhao Jinwen**

Principal in charge of accounting: **Hu Zhiguo**

Head of accounting department: **Hu Zhiguo**

(Attached notes to statements are part of the consolidated financial statements)

Interim Company Cash Flow Statements

January 1 to June 30 2023

(All amounts in RMB'000 unless otherwise stated)

Items	Note XV	For the six months period ended June 30 Current period	Last period
1. Cash flows from operating activities			
Cash received from sales of products or rendering of services		**1,948**	350
Tax and surcharge refunds		**1**	–
Cash received relating to other operating activities		**8,448**	42
Total cash inflows from operating activities		**10,397**	392
Cash paid for goods and services		**–**	–
Cash paid to and for employees		**–**	–
Taxes and surcharges paid		**–**	–
Other cash payments related to operating activities		**10,412**	364
Total cash outflows from operating activities		**10,412**	364
Net cash flows from operating activities		**(15)**	28
2. Cash flows from investing activities			
Cash received from return on investments		**–**	–
Cash received from gain on investment		**–**	–
Net cash received from disposals of fixed assets, intangible assets and other long-term assets		**–**	–
Net cash received from disposal of subsidiaries and other business units		**–**	–
Cash received relating to other investing activities		**–**	–
Total cash inflows from investing activities		**–**	
Cash paid for fixed assets, intangible assets, and other long-term assets		**–**	–
Cash paid for investments		**–**	–
Net cash paid for acquiring subsidiaries and other business units		**–**	–
Cash paid relating to other investing activities		**–**	–
Total cash outflows from investing activities		**–**	–
Net cash flows from investing activities		**–**	–

(Attached notes to statements are part of the consolidated financial statements)

Items	Note XV	For the six months period ended June 30 Current period	Last period
3. Cash flows from financing activities			
Cash received from investments by others		**–**	–
Cash received from borrowings		**–**	–
Other cash receipts related to other financing activities		**–**	–
Total cash inflows from financing activities		**–**	–
Cash repayments of borrowings		**–**	–
Cash payments for distribution of dividends, profits or interest expenses		**–**	–
Other cash payments related to financing activities		**–**	–
Total cash outflows from financing activities		**–**	–
Net cash flows from financing activities		**–**	–
4. Effect of changes in foreign exchange rates on cash and cash equivalents		**–**	–
5. Net increase in cash and cash equivalents		**(15)**	28
Add: Opening balance of cash and cash equivalents		**17**	18
6. Closing balance of cash and cash equivalents		**2**	46

Legal representative:	Principal in charge of accounting:	Head of accounting department:
Zhao Jinwen	**Hu Zhiguo**	**Hu Zhiguo**

(Attached notes to statements are part of the consolidated financial statements)

Interim Consolidated Statement of Changes in Shareholders' Equity

January 1 to June 30 2023

(All amounts in RMB'000 unless otherwise stated)

Items	Current period											
	Equity attributable to parent company											
		Other equity instruments										
	Share capital	Preferred stock	Perpetual debt	Other	Capital reserves	Less: Treasury share	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits	Non-controlling interests	Total equity
1. Closing balance of last year	547,672	-	-	-	1,910,806	20,010	(43,606)	-	246,788	(5,147,499)	(67,360)	(2,573,209)
Add: Increase/decrease due to changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Increase/decrease due to corrections of errors in prior period	-	-	-	-	-	-	-	-	-	-	-	-
Business combination under common control	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-
2. Opening balance of current year	547,672	-	-	-	1,910,806	20,010	(43,606)	-	246,788	(5,147,499)	(67,360)	(2,573,209)
3. Increase/decrease for current year	-	-	-	-	-	-	-	-	-	(565,165)	(15,001)	(580,166)
I. Total comprehensive income	-	-	-	-	-	-	-	-	-	(565,165)	(13,667)	(578,832)
II. Shareholders invest and reduce capital	-	-	-	-	-	-	-	-	-	-	-	-
i. Common stock contributed/paid-in capital by shareholders/owners	-	-	-	-	-	-	-	-	-	-	-	-
ii. Capital contributed by other equity instruments holders	-	-	-	-	-	-	-	-	-	-	-	-
iii. Share-based payments to owners' equity	-	-	-	-	-	-	-	-	-	-	-	-
iv. Others	-	-	-	-	-	-	-	-	-	-	-	-
III. Profits distribution	-	-	-	-	-	-	-	-	-	-	-	-
i. Appropriation of surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-
ii. Distribution to owners	-	-	-	-	-	-	-	-	-	-	-	-
iii. Others	-	-	-	-	-	-	-	-	-	-	-	-

(Attached notes to statements are part of the consolidated financial statements)

(All amounts in RMB'000 unless otherwise stated)

Items	Current period											
	Equity attributable to parent company											
		Other equity instruments										
	Share capital	Preferred stock	Perpetual debt	Other	Capital reserves	Less: Treasury share	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits	Non-controlling interests	Total equity
IV. Transfers within owners' equity	-	-	-	-	-	-	-	-	-	-	-	-
i. Capital surplus transferred to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-
ii. Surplus reserve transferred to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-
iii. Use of surplus reserve to cover previous losses	-	-	-	-	-	-	-	-	-	-	-	-
iv. Changes in remeasurement of defined benefit plans transferred to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-
v. Other comprehensive income transferred to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-
vi. Others	-	-	-	-	-	-	-	-	-	-	-	-
V. Special reserves	-	-	-	-	-	-	-	-	-	-	-	-
i. Appropriated during current year	-	-	-	-	-	-	-	-	-	-	-	-
ii. Used during current year	-	-	-	-	-	-	-	-	-	-	-	-
VI. Others	-	-	-	-	-	-	-	-	-	-	(1,334)	(1,334)
4. Closing balance of current year	**547,672**	**-**	**-**	**-**	**1,910,806**	**20,010**	**(43,606)**	**-**	**246,788**	**(5,712,664)**	**(82,361)**	**(3,153,375)**

Legal representative: **Zhao Jinwen**

Principal in charge of accounting: **Hu Zhiguo**

Head of accounting department: **Hu Zhiguo**

(Attached notes to statements are part of the consolidated financial statements)

Interim Consolidated Statement of Changes in Shareholders' Equity

January 1 to June 30 2023

(All amounts in RMB'000 unless otherwise stated)

	Last period											
	Equity attributable to parent company											
		Other equity instruments										
Items	Share capital	Preferred stock	Perpetual debt	Other	Capital reserves	Less: Treasury share	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits	Non-controlling interests	Total equity
1. Closing balance of last year	547,672	–	–	–	1,910,806	20,010	(41,026)	–	246,788	(4,075,526)	(78,274)	(1,509,570)
Add: Increase/decrease due to changes in accounting policies	–	–	–	–	–	–	–	–	–	–	–	–
Increase/decrease due to corrections of errors in prior period	–	–	–	–	–	–	–	–	–	–	–	–
Business combination under common control	–	–	–	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	–	–	–	–
2. Opening balance of current year	547,672	–	–	–	1,910,806	20,010	(41,026)	–	246,788	(4,075,526)	(78,274)	(1,509,570)
3. Increase/decrease for current year	–	–	–	–	–	–	(2,580)	–	–	(1,071,973)	10,914	(1,063,639)
I. Total comprehensive income	–	–	–	–	–	–	(2,580)	–	–	(1,071,973)	(1,801)	(1,076,354)
II. Shareholders invest and reduce capital	–	–	–	–	–	–	–	–	–	–	–	–
i. Common stock contributed/paid-in capital by shareholders/owners	–	–	–	–	–	–	–	–	–	–	–	–
ii. Capital contributed by other equity instruments holders	–	–	–	–	–	–	–	–	–	–	–	–
iii. Share-based payments to owners' equity	–	–	–	–	–	–	–	–	–	–	–	–
iv. Others	–	–	–	–	–	–	–	–	–	–	–	–
III. Profits distribution	–	–	–	–	–	–	–	–	–	–	–	–
i. Appropriation of surplus reserve	–	–	–	–	–	–	–	–	–	–	–	–
ii. Distribution to owners	–	–	–	–	–	–	–	–	–	–	–	–
iii. Others	–	–	–	–	–	–	–	–	–	–	–	–

(Attached notes to statements are part of the consolidated financial statements)

Interim Consolidated Statement of Changes in Shareholders' Equity

January 1 to June 30 2023

(All amounts in RMB'000 unless otherwise stated)

	Last period											
	Equity attributable to parent company											
		Other equity instruments										
Items	Share capital	Preferred stock	Perpetual debt	Other	Capital reserves	Less: Treasury share	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits	Non-controlling interests	Total equity
IV. Transfers within owners' equity	–	–	–	–	–	–	–	–	–	–	–	–
i. Capital surplus transferred to paid-in capital	–	–	–	–	–	–	–	–	–	–	–	–
ii. Surplus reserve transferred to paid-in capital	–	–	–	–	–	–	–	–	–	–	–	–
iii. Use of surplus reserve to cover previous losses	–	–	–	–	–	–	–	–	–	–	–	–
iv. Changes in remeasurement of defined benefit plans transferred to retained earnings	–	–	–	–	–	–	–	–	–	–	–	–
v. Other comprehensive income transferred to retained earnings	–	–	–	–	–	–	–	–	–	–	–	–
vi. Others	–	–	–	–	–	–	–	–	–	–	–	–
V. Special reserves	–	–	–	–	–	–	–	–	–	–	–	–
i. Appropriated during current year	–	–	–	–	–	–	–	–	–	–	–	–
ii. Used during current year	–	–	–	–	–	–	–	–	–	–	–	–
VI. Others	–	–	–	–	–	–	–	–	–	–	12,715	12,715
4. Closing balance of current year	547,672	–	–	–	1,910,806	20,010	(43,606)	–	246,788	(5,147,499)	(67,360)	(2,573,209)

Legal representative: **Zhao Jinwen**

Principal in charge of accounting: **Hu Zhiguo**

Head of accounting department: **Hu Zhiguo**

(Attached notes to statements are part of the consolidated financial statements)

Interim Company Statement of Changes in Shareholders' Equity

January 1 to June 30 2023

(All amounts in RMB'000 unless otherwise stated)

Items	Current period										
		Other equity instruments									
	Share capital	Preferred stock	Perpetual debt	Other	Capital reserves	Less: Treasury share	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits	Total equity
1. Closing balance of last year	**547,672**	**-**	**-**	**-**	**1,897,270**	**20,010**	**-**	**-**	**246,788**	**(3,370,005)**	**(698,285)**
Add: Increase/decrease due to changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-
Increase/decrease due to corrections of errors in prior period	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-
2. Opening balance of current year	**547,672**	**-**	**-**	**-**	**1,897,270**	**20,010**	**-**	**-**	**246,788**	**(3,370,005)**	**(698,285)**
3. Increase/decrease for current year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(773,603)**	**(773,603)**
I. Total comprehensive income	-	-	-	-	-	-	-	-	-	(773,603)	(773,603)
II. Shareholders invest and reduce capital	-	-	-	-	-	-	-	-	-	-	-
i. Common stock contributed/paid-in capital by shareholders/owners	-	-	-	-	-	-	-	-	-	-	-
ii. Capital contributed by other equity instruments holders	-	-	-	-	-	-	-	-	-	-	-
iii. Share-based payments to owners' equity	-	-	-	-	-	-	-	-	-	-	-
iv. Others	-	-	-	-	-	-	-	-	-	-	-
III. Profits distribution	-	-	-	-	-	-	-	-	-	-	-
i. Appropriation of surplus reserve	-	-	-	-	-	-	-	-	-	-	-
ii. Distribution to owners	-	-	-	-	-	-	-	-	-	-	-
iii. Others	-	-	-	-	-	-	-	-	-	-	-

(Attached notes to statements are part of the consolidated financial statements)

Interim Company Statement of Changes in Shareholders' Equity

January 1 to June 30 2023

(All amounts in RMB'000 unless otherwise stated)

Items	Current period										
		Other equity instruments									
	Share capital	Preferred stock	Perpetual debt	Other	Capital reserves	Less: Treasury share	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits	Total equity
IV. Transfers within owners' equity	-	-	-	-	-	-	-	-	-	-	-
i. Capital surplus transferred to paid-in capital	-	-	-	-	-	-	-	-	-	-	-
ii. Surplus reserve transferred to paid-in capital	-	-	-	-	-	-	-	-	-	-	-
iii. Use of surplus reserve to cover previous losses	-	-	-	-	-	-	-	-	-	-	-
iv. Changes in remeasurement of defined benefit plans transferred to retained earnings	-	-	-	-	-	-	-	-	-	-	-
v. Other comprehensive income transferred to retained earnings	-	-	-	-	-	-	-	-	-	-	-
vi. Others	-	-	-	-	-	-	-	-	-	-	-
V. Special reserves	-	-	-	-	-	-	-	-	-	-	-
i. Appropriated during current year	-	-	-	-	-	-	-	-	-	-	-
ii. Used during current year	-	-	-	-	-	-	-	-	-	-	-
VI. Others	-	-	-	-	-	-	-	-	-	-	-
4. Closing balance of current year	**547,672**	**-**	**-**	**-**	**1,897,270**	**20,010**	**-**	**-**	**246,788**	**(4,143,608)**	**(1,471,888)**

Legal representative:	Principal in charge of accounting:	Head of accounting department:
Zhao Jinwen	**Hu Zhiguo**	**Hu Zhiguo**

(Attached notes to statements are part of the consolidated financial statements)

Interim Company Statement of Changes in Shareholders' Equity

January 1 to June 30 2023
(All amounts in RMB'000 unless otherwise stated)

	Last period										
		Other equity instruments									
Items	Share capital	Preferred stock	Perpetual debt	Other	Capital reserves	Less: Treasury share	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits	Total equity
1. Closing balance of last year	547,672	–	–	–	1,897,270	20,010	–	–	246,788	(2,104,855)	586,875
Add: Increase/decrease due to changes in accounting policies	–	–	–	–	–	–	–	–	–	–	–
Increase/decrease due to corrections of errors in prior period	–	–	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	–	–	–
2. Opening balance of current year	547,672	–	–	–	1,897,270	20,010	–	–	246,788	(2,104,855)	586,875
3. Increase/decrease for current year	–	–	–	–	–	–	–	–	–	(1,265,150)	(1,265,150)
I. Total comprehensive income	–	–	–	–	–	–	–	–	–	(1,265,150)	(1,265,150)
II. Shareholders invest and reduce capital	–	–	–	–	–	–	–	–	–	–	–
i. Common stock contributed/paid-in capital by shareholders/owners	–	–	–	–	–	–	–	–	–	–	–
ii. Capital contributed by other equity instruments holders	–	–	–	–	–	–	–	–	–	–	–
iii. Share-based payments to owners' equity	–	–	–	–	–	–	–	–	–	–	–
iv. Others	–	–	–	–	–	–	–	–	–	–	–
III. Profits distribution	–	–	–	–	–	–	–	–	–	–	–
i. Appropriation of surplus reserve	–	–	–	–	–	–	–	–	–	–	–
ii. Distribution to owners	–	–	–	–	–	–	–	–	–	–	–
iii. Others	–	–	–	–	–	–	–	–	–	–	–

(Attached notes to statements are part of the consolidated financial statements)

Interim Company Statement of Changes in Shareholders' Equity

January 1 to June 30 2023

(All amounts in RMB'000 unless otherwise stated)

	Last period										
		Other equity instruments									
Items	Share capital	Preferred stock	Perpetual debt	Other	Capital reserves	Less: Treasury share	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits	Total equity
IV. Transfers within owners' equity	–	–	-	–	–	–	–	–	–	–	–
i. Capital surplus transferred to paid-in capital	–	–	–	–	–	–	–	–	–	–	–
ii. Surplus reserve transferred to paid-in capital	–	–	–	–	–	–	–	–	–	–	–
iii. Use of surplus reserve to cover previous losses	–	–	–	–	–	–	–	–	–	–	–
iv. Changes in remeasurement of defined benefit plans transferred to retained earnings	–	–	–	–	–	–	–	–	–	–	–
v. Other comprehensive income transferred to retained earnings	–	–	–	–	–	–	–	–	–	–	–
vi. Others	–	–	–	–	–	–	–	–	–	–	–
V. Special reserves	–	–	–	–	–	–	–	–	–	–	–
i. Appropriated during current year	–	–	–	–	–	–	–	–	–	–	–
ii. Used during current year	–	–	–	–	–	–	–	–	–	–	–
VI. Others	–	–	–	–	–	–	–	–	–	–	–
4. Closing balance of current year	547,672	–	–	–	1,897,270	20,010	–	–	246,788	(3,370,005)	(698,285)

Legal representative: **Zhao Jinwen**

Principal in charge of accounting: **Hu Zhiguo**

Head of accounting department: **Hu Zhiguo**

(Attached notes to statements are part of the consolidated financial statements)

I GENERAL INFORMATION

(I) Registered Address, the Type of Organization and the Address of the Headquarter

Xinjiang La Chapelle Fashion Co., Ltd. (hereinafter referred to as "**the Company**") is a joint stock company, shareholding reformed by Shanghai Xuhui La Chapelle Apparel Co. (hereinafter referred to as "**Shanghai Xuhui La Chapelle**"). Shanghai Xuhui La Chapelle is a limited liability company incorporated in Xuhui District, Shanghai on 14 March 2001. On 26 February 2004, the company changed its name to Shanghai La Chapelle Fashion Limited (hereinafter referred to as "**Shanghai La Chapelle**"). On 23 May 2011, the Company was converted into a joint stock company with limited liabilities according to the plan approved by the original board of directors and the terms in the agreement made by the company's sponsors. The A-share of RMB-denominated shares and H-share of overseas-listed shares issued by the Company were listed on the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited ("**Hong Kong Stock Exchange**"). On 8 July 2020, the Company changed its name to "Xinjiang La Chapelle Fashion Co., Ltd". On 14 April 2022, the Company received the decision of termination the listing of the Company's A-shares from the Shanghai Stock Exchange. On 24 May 2022, the A-shares of the Company were delisted from the Shanghai Stock Exchange. After delisting the abovementioned shares has been listed on the National Equities Exchange and Quotations since 22 July 2022, stock code 400116.

As of 30 June 2023, the Company accumulatively issued 547,761,600 shares with a registered share capital of RMB547,761.6 thousand. Registered address: Room 2008, 20/F, Tower D, Chuangxin Square, Si Ping Road, Xin Shi District, Urumqi, Xinjiang, People's Republic of China; office address: 12/F, Building 4, No. 50, Lane 2700, Lianhua South Road, Minhang District, Shanghai.

(II) Business Nature and Major Activities of the Company

The main business activity of the Company and its subsidiaries is design, promotion and sale of apparel products in the People's Republic of China.

Industry: During the reporting period, the Company was a diversified group integrating apparel products and leasing.

During the reporting period, the major activities of the Company include apparel sales, brand-integrated services and property leasing.

(All amounts in RMB'000 unless otherwise stated)

I GENERAL INFORMATION (CONTINUED)

(III) Scope of Consolidated Financial Statements

The total number of subsidiaries in the scope of consolidated financial statements for the period is 21, including:

Name of subsidiary	Type of subsidiary	Tier	Shareholding percentage (%)	Percentage of voting rights (%)
Shanghai La Chapelle Casual Fashion Co., Ltd. ("Laxia Xiuxian")	Wholly-owned subsidiary	First	100	100
Chongqing Lewei Fashion Co., Ltd. ("Chongqing Lewei")	Wholly-owned subsidiary	First	100	100
Beijing La Chapelle Lewei Fashion Co., Ltd. ("Beijing Laxia")	Wholly-owned subsidiary	First	100	100
Chengdu La Chapelle Fashion Co., Ltd. ("Chengdu Laxia")	Wholly-owned subsidiary	First	100	100
Shanghai Langhe Fashion Co., Ltd. ("Shanghai Langhe")	Wholly-owned subsidiary	First	100	100
Shanghai Xiawei Fashion Co., Ltd. ("Shanghai Xiawei")	Wholly-owned subsidiary	First	100	100
La Chapelle Fashion (Tianjin) Co., Ltd. ("Tianjin Laxia")	Wholly-owned subsidiary	First	100	100
Chengdu Lewei Fashion Co., Ltd. ("Chengdu Lewei")	Wholly-owned subsidiary	First	100	100
Shanghai Chongan Fashion Co., Ltd. ("Shanghai Chong'an")	Controlling subsidiary	First	85	85
Shanghai Youshi Fashion Co., Ltd. ("Shanghai Youshi")	Wholly-owned subsidiary	First	100	100
Fujian Lewei Fashion Co., Ltd. ("Fujian Lewei")	Wholly-owned subsidiary	First	100	100
Shanghai La Chapelle Enterprise Management Co., Ltd. ("Enterprise Management")	Wholly-owned subsidiary	First	100	100
Jiatuo (Shanghai) Information Technology Co., Ltd. ("Shanghai Jiatuo")	Wholly-owned subsidiary	First	100	100
Shanghai La Chapelle Naf Fashion Co., Ltd. ("Laxia Nafu")	Controlling subsidiary	First	65	65
Guangzhou Xichen Clothing Co., Ltd. ("Guangzhou Xichen")	Controlling subsidiary	First	60	60
Taicang Xiawei Fashion Co., Ltd. ("Taicang Xiawei")	Wholly-owned subsidiary	First	100	100
Xinjiang Tongrong Fashion Co., Ltd. ("Xinjiang Tongrong")	Controlling subsidiary	First	95	95

(All amounts in RMB'000 unless otherwise stated)

I GENERAL INFORMATION (CONTINUED)

(III) Scope of Consolidated Financial Statements (continued)

Name of subsidiary	Type of subsidiary	Tier	Shareholding percentage (%)	Percentage of voting rights (%)
Shanghai Pinxi Technology Co., Ltd. ("Shanghai Pinxi")	Wholly-owned subsidiary	Second	100	100
Taicang Chongan Fashion Co., Ltd. ("Taicang Chongan")	Wholly-owned subsidiary	First	100	100
Shanghai Geraopu Fashion Co., Ltd ("Shanghai Geraopu")	Wholly-owned subsidiary	Second	100	100
Shanghai Aixi Culture Broker Co., Ltd. ("Aixi Culture)	Wholly-owned subsidiary	Third	100	100

In this fiscal year, 0 entity was newly joined in, and 5 entities were subtracted from the scope of consolidation, details below:

1. *None of subsidiary newly added to scope of consolidation*
2. *Subsidiaries which no longer in scope of consolidation:*

Name of subsidiary	**Reasons of changes**
Nuoxing (Shanghai) Fashion Co., Ltd. ("Shanghai Nuoxing")	Taken over by a court-appointed administrator and removed from the scope of consolidated statements
La Chapelle Fashion (Taicang) Co., Ltd. ("Taicang Laxia")	Taken over by a court-appointed administrator and removed from the scope of consolidated statements
Taicang Jiashang Storage Co., Ltd. ("Taicang Jiashang")	Subtracted from the scope of consolidated statements due to its parent company, Shanghai Weile, was taken over by administrator
Taicang Xiawei Storage Co., Ltd. ("Taicang Xiawei Storage")	Subtracted from the scope of consolidated statements due to its parent company, Shanghai Weile, was taken over by administrator
Anhui Xinshang Fashion Co., Ltd ("Anhui Xinshang")	Lost control and removed from the scope of consolidated statements

Details of the changes are presented in Note VI "Changes in Scope of Consolidation"

(IV) Approval of Financial Statements for Reporting

These financial statements are approved by Company's Board of Directors on 30 August 2023.

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

(I) Basis of Preparation of the Financial Statements

The Company prepares financial statements based on transactions and events that actually occurred and in accordance with the Accounting Standards for Business Enterprises – Basic Standards, Specific Accounting Standards for Business Enterprises, Application Guidelines for Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises, and other relevant regulations issued by the Ministry of Finance (hereinafter collectively referred to as "Accounting Standards for Business Enterprises") for recognition and measurement. On this basis, the financial statements are prepared in conjunction with the provisions of the China Securities Regulatory Commission's "Rules Governing the Preparation of Information Disclosures by Companies Issuing Public Securities No. 15 – General Provisions on Financial Reporting" (revised in 2014).

(II) Going Concern

The net loss of the Company between January and June in 2023 was RMB578,832 thousand and has consecutive loss for five years. As of 30 June 2023, the Company's total liabilities exceed total assets by RMB3,153,375 thousand. The Company is facing litigation matters, major bank accounts and equity interests in subsidiaries have been frozen and real estate has been seized due to default of debts (Refer to Note V/(I), Note V/(XI), Note V/(LVII), and Note XI/(II)/1, respectively). The Company is listed as a discredited debtor. These matters or circumstances indicate the existence of material doubts and uncertainties that may lead to the Company's ability to continue as a going concern.

At present, the main business of La Chapelle is running normally, and its operation and management are in good order. The board of directors and management are also actively planning to promote the bankruptcy liquidation into reorganization procedure in order to completely solve the historical debt burden of the Company. Meanwhile, the Company continues to improve the performance and profitability, the main measures are as follows:

1. Plan and promote the bankruptcy restructuring process and strive to eliminate the debt burden through a comprehensive package.

   Currently, the Company has been ruled by the court to enter into bankruptcy liquidation procedure and is cooperating with the administrator to start the work of creditor declaration, debt and asset verification in an orderly manner in accordance with the law. In 2023, with the objective of protecting the legitimate rights and interests of creditors and safeguarding the overall value of La Chapelle, the Company will conduct in-depth studies and discussions with shareholders and creditors on the feasibility of restructuring, actively recruit and select restructuring investors, and discuss with all parties to resolve the Company's debts and future operational development, with a view to resolving the Company's debt problems and operational burdens, enhancing the Company's normal operation and sustainable profitability, and promoting the Company's early return to a positive growth path.

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

(II) Going Concern (continued)

2. Promote the restructuring of the shareholding structure and its corresponding disposal to optimize the asset and liability structure of the Company.

   As at the date of this report, two of the Company's subsidiaries holding core properties, Shanghai Weile and La Chapelle Taicang, have entered into insolvency proceedings and restructuring proceedings respectively, which will facilitate the disposal of the Company's property assets indirectly, reduce the pressure of overdue debts and deferred interest payments, and improve the Company's asset and liability structure. In the future, the Company will further sort out the Group's holding and controlling subsidiaries, optimize the shareholding structure and internal management accordingly, dispose of subsidiaries with no substantive business, revitalize subsidiaries holding assets in their names, divest subsidiaries with non-core business, and properly resolve arrangements for the disposal of business, assets and personnel, so as to revitalize the Company's various property assets and equity investments and significantly enhance the efficiency of asset utilization.

3. Build an online business brand to empower the new generation and achieve scale breakthrough and performance realization.

   The Company will continue to increase its business development efforts in the brand empowerment business, further explore distributors and pipelines with quality industry resources and rich operational experience for cooperation, expand the brands, categories and platform pipelines covered by the online business, and accelerate the transformation to a light-asset, high-margin, fast-turnaround business model. At the same time, the Company will extend its business chain to provide comprehensive services such as brand culture, image visualization, supply chain integration, data analysis and operation and maintenance enhancement to online customers, establishing a mutually beneficial cooperation and long-term sustainable win-win mechanism. In addition, the Company has been exploring self-operated live-streaming business in the form of self-operated online core shops + live-streaming in offline shops, integrating offline retail outlets with online new retail business, empowering the terminal shops to attract traffic and achieve multi-level access to consumers, facilitating the Company's scale breakthrough and performance realization.

4. Focus on offline refinement of management capabilities and focus on improving business profitability.

   At this stage, the Company has basically reached the bottom of the number of offline pipeline outlets. The Company will continue to adhere to its strategy of "opening new shops and opening good shops" and fully focus on the more profitable southwest and northwest regions, with the core business areas being directly operated by the Company and the remaining business areas co-existing with franchises, associates and agents to achieve the effect of reducing the management radius and saving operating capital investment. At the same time, the Company will focus on improving the level of refinement of management, adopting the management mindset of "headquarters management to shops and management responsibility to people", actively adjusting the product strategy and staff structure, using single-store approach as a gateway to clear the remaining problems and improving the shop efficiency and profitability of the offline network.

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

(II) Going Concern (continued)

5. Strengthen comprehensive budget management and cost control to ensure a stable balance of funds for operations.

   The Company will further strengthen its overall budget management and cost control and improve the profitability of its main business through strict focus on "cost reduction and efficiency enhancement" measures. During the Reporting Period, the Company has taken measures to optimize the structure of functional departments and streamline redundant staff in line with the business restructuring process, so as to significantly reduce fixed expenses such as labor costs and fees and enhance management efficiency. In the future, the Company will pay more attention to the preparation, control and execution of comprehensive budgets, focus on strengthening cost control at source, strictly control various costs and expenses, conduct input and output analysis of key expenses, and form a closed-loop management of important expenses and project expenditures. The Company will also strengthen the management of payments and receipts for supply chain and brand empowerment businesses, and monitor and supervise the overall budgeting process to ensure a stable balance of funds for the Company's operations.

6. Strengthen internal control management and regulate operation to improve and perfect the internal control system.

   The Company will continue to strengthen its internal control management and standard of operation, pay more attention to "standardization, process and refinement" management, and ensure the continuous standardization of the Company's operation by improving the internal control system, strengthening the internal approval process, delineating the financial approval authority and improving the internal audit system. At the same time, the Company will maintain a stable management team that can adapt to the development of its business at this stage. With the core objectives of improving operational quality and enhancing profitability, the Company will adapt to the development needs of its business activities at this stage and enhance the standard of internal control and operational efficiency by narrowing the focus on core resources, innovating the mode of operation and management and improving workflow.

7. Realize the advantages of shareholders and resource synergy to enhance the credit ability.

   While taking measures to extricate itself from the crisis, the Company will also leverage the resources and advantages of its major shareholders in terms of financing credit, capital strength and professional capabilities to restore and enhance its credit and financing capabilities through overall business optimization and restructuring and seeking additional capital.

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

(III) Basis of Accounting and Valuation Principles

The Company's accounting is carried out on the accrual basis of accounting. The financial statements are measured at historical cost, except for other equity instruments and other non-current financial assets, which are measured at fair value. If an asset is impaired, a corresponding accrual for impairment is made in accordance with the relevant regulations.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(I) Statement of Compliance with Corporate Accounting Standards

The financial statements prepared by the Company comply with the requirements of the Accounting Standards for Business Enterprises and give a true and complete picture of the financial position, results of operations, cash flows and other relevant information of the company for the reporting period.

(II) Accounting Period

The accounting period is from 1 January to 31 December of each calendar year.

(III) Operating Cycle

An operating cycle refers to the period required for a business to make initial purchase to produce goods and receive cash and cash equivalents. The company adopts 12 months as an operating cycle, which is the classification standard of the liquidity of its asset and liability.

(IV) Currency of Accounts

The company adopts Chinese Yuan as its currency of accounts.

(V) Accounting for business combinations under common control and non-common control

1. The terms, conditions and economic effects of each transaction in a step-by-step business combination are one or more of the following, and multiple transactions are accounted for as a package:

(1) These transactions occurred simultaneously or mutually influence have been considered;

(2) These transactions lead to achieve a complete business result;

(3) The occurrence of a transaction depends on the occurrence of at least one other transaction;

(4) A transaction is not economical on its own, but it is economical when considered together with other transactions.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(V) Accounting for business combinations under common control and non-common control (continued)

2. Business combination under the same common control

Assets and liabilities acquired in a business combination are measured at their book value in the consolidated financial statements of the ultimate controlling party at the date of combination (including goodwill resulting from the acquisition of the consolidated party by the ultimate controlling party). The difference between the book value of the net assets acquired in the merger and the book value of the merger consideration paid (or the aggregate nominal value of shares issued) is adjusted against the equity premium in capital surplus, and if the equity premium in capital surplus is not sufficient for elimination, it is adjusted against retained earnings.

If a contingent consideration exists and requires recognition of a estimated liability or asset, the difference between the amount of such estimated liability or asset and the settlement amount of the subsequent contingent consideration is adjusted to capital surplus (capital premium or equity premium), and if capital surplus is insufficient, retained earnings are adjusted.

For a business combination that is ultimately achieved through multiple transactions, if it is a package transaction, each transaction is accounted for as one transaction to obtain control; if it is not a package transaction, the difference between the initial investment cost of the long-term equity investment, and the sum of the book value of the long-term equity investment before reaching the merger plus the book value of the new consideration paid for further acquisition of shares at the date of the merger is adjusted to capital surplus; if capital surplus is not sufficient to offset the difference, adjust retained earnings. For equity investments held before the date of consolidation, other comprehensive income recognized as a result of the adoption of the equity method of accounting or accounting under the Standard on Recognition and Measurement of Financial Instruments is not accounted for until the disposal of the investment is accounted for on the same basis as the direct disposal of the related assets or liabilities by the investee; other comprehensive income recognized in the net assets of the investee as a result of the adoption of the equity method of accounting, other than net profit or loss, other comprehensive income and profit distribution, is not accounted for until the disposal of the investment is accounted for on the same basis as the direct disposal of the related assets or liabilities by the investee. The changes in owners' equity other than net profit or loss, other comprehensive income and profit distribution recognized by the equity method are not accounted for until the investment is disposed of and transferred to current profit or loss.

3. Business combination not under common control

The date of purchase is the date on which the company obtains control over the acquiree, i.e., the date on which control over the acquiree's net assets or production and operation decisions is transferred to the company. The company generally considers that the transfer of control is achieved when the following conditions are also met:

(1) The business combination contract or agreement has been adopted by the company's internal authority.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(V) Accounting for business combinations under common control and non-common control (continued)

3. Business combination not under common control (continued)

(2) The matter of business combination requiring approval by the relevant state authorities has been approved.

(3) The necessary procedures for the transfer of property rights have been completed.

(4) The Company has paid the majority of the merger price and has the ability and plan to pay the remaining amount.

(5) The Company has effectively controlled the financial and operating policies of the acquiree and enjoys the corresponding benefits and bears the corresponding risks.

The Company measures assets paid for, liabilities incurred or assumed as consideration for a business combination at fair value at the date of purchase, and the difference between the fair value and book value is recognized in profit or loss for the current period.

The Company recognizes goodwill if the cost of the merger larger than the share of the fair value of the acquiree's identifiable net assets acquired in the merger; if the cost of the merger less than the share of the fair value of the acquiree's identifiable net assets acquired in the merger, after review, is recognized in profit or loss for the current period.

If a business combination under non-identical control is achieved in stages through multiple exchange transactions, each transaction is accounted for as a same transaction to obtain control if it is a package transaction; if it is not a package transaction, the equity investment held before the date of consolidation is accounted for under the equity method, the sum of the book value of the equity investment in the investee held before the date of purchase and the cost of the new investment at the date of purchase is used as the initial investment cost of that investment If the equity investment held prior to the date of purchase is accounted for under the equity method, other comprehensive income recognized on the disposal of the investment is accounted for on the same basis as the direct disposal of the related assets or liabilities by the investee. If an equity investment held prior to the date of consolidation is accounted for using the standard on recognition and measurement of financial instruments, the sum of the fair value of the equity investment at the date of consolidation plus the cost of the additional investment is used as the initial investment cost at the date of consolidation. The difference between the fair value and the carrying amount of the equity interest originally held and the accumulated changes in fair value previously recognized in other comprehensive income should be transferred in full to investment income for the period at the date of consolidation.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(V) Accounting for business combinations under common control and non-common control (continued)

4. Costs incurred in connection with the merger

Intermediary fees such as auditing, legal services, appraisal and consulting, and other directly related costs incurred for the business combination are charged to current profit or loss as incurred; transaction costs for equity securities issued for the business combination are deducted from equity if they are directly attributable to the equity transaction.

(VI) Preparation of consolidated financial statements

1. Scope of consolidation

The scope of consolidation of the Company's consolidated financial statements is determined on the basis of control, and all subsidiaries (including separate entities controlled by the Company) are included in the consolidated financial statements.

2. Consolidated procedure

The Company prepares consolidated financial statements on the basis of its own financial statements and those of its subsidiaries, and other relevant information. The Company prepares consolidated financial statements by considering the entire enterprise group as one accounting entity, reflecting the financial position, results of operations and cash flows of the enterprise group as a whole in accordance with the recognition, measurement and presentation requirements of relevant accounting standards for enterprises and in accordance with uniform accounting policies.

The accounting policies and accounting periods adopted by all subsidiaries included in the scope of consolidation of the consolidated financial statements are consistent with those of the Company. If the accounting policies and accounting periods adopted by the subsidiaries are not consistent with those of the Company, the necessary adjustments will be made in accordance with the Company's accounting policies and accounting periods when preparing the consolidated financial statements.

The effect on the consolidated balance sheet, consolidated income statement, consolidated statement of cash flows, and consolidated statement of changes in shareholders' equity of internal transactions that occur between the Company and each subsidiary and between each subsidiary is offset in the consolidated financial statements. If the transaction is recognized differently from the perspective of the consolidated financial statements of the enterprise group than if the same transaction is recognized with the Company or a subsidiary as the accounting entity, the transaction is adjusted from the perspective of the enterprise group.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VI) Preparation of consolidated financial statements (continued)

2. Consolidated procedure (continued)

The share of the subsidiary's ownership interest, net profit or loss for the period and comprehensive income attributable to minority shareholders are presented separately in the consolidated balance sheet under the item of ownership interest, in the consolidated income statement under the item of net profit and in the consolidated statement of total comprehensive income, respectively. The balance resulting from the excess of the minority shareholders' share of the subsidiary's loss for the period over the minority shareholders' share of the subsidiary's ownership interest at the beginning of the period is eliminated to reduce shareholders' equity.

For a subsidiary acquired through a business combination under the same control, its financial statements are adjusted on the basis of the carrying value of its assets and liabilities (including goodwill resulting from the acquisition of the subsidiary by the ultimate controlling party) in the financial statements of the ultimate controlling party.

For subsidiaries acquired through business combinations not under common control, their financial statements are adjusted based on the fair value of identifiable net assets at the date of purchase.

(1) Addition to subsidiary or business

During the reporting period, if a subsidiary or business is added as a result of a business combination under the same control, the opening balance of the consolidated balance sheet is adjusted; the revenues, expenses and profits of the subsidiary or business combination from the beginning of the period to the end of the reporting period are included in the consolidated income statement; and the cash flows of the subsidiary or business combination from the beginning of the period to the end of the reporting period are included in the consolidated cash flow statement, while the relevant items in the comparative statements are adjusted as if the consolidated reporting entity had been in existence since the point when the ultimate controlling party began to control it.

If it is possible to exercise control over an investee under the same control due to additional investment, etc., the parties involved in the consolidation are treated as if they existed in their current state at the time when the ultimate controlling party began to exercise control for adjustment purposes. For equity investments held prior to the acquisition of control of the consolidated party, the related gains or losses, other comprehensive income and other changes in net assets recognized between the later of the date of acquisition of the original equity interest and the date when the consolidated party and the consolidated party are under the same control and the date of consolidation are eliminated from opening retained earnings or current profit or loss, respectively, in the period of the comparative statements.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VI) Preparation of consolidated financial statements (continued)

2. Consolidated procedure (continued)

(1) Addition to subsidiary or business (continued)

During the reporting period, if a subsidiary or business is added as a result of a business combination not under common control, the opening balance of the consolidated balance sheet is not adjusted; the revenue, expenses and profit of such subsidiary or business from the date of purchase to the end of the reporting period are included in the consolidated income statement; the cash flows of such subsidiary or business from the date of purchase to the end of the reporting period are included in the consolidated cash flow statement.

If the Company can exercise control over an investee not under common control due to additional investment, etc., the company remeasures the equity interest in the investee held prior to the date of purchase at the fair value of the equity interest at the date of purchase, and the difference between the fair value and carrying amount is recognized as investment income for the current period. If the equity interest in the investee held before the date of purchase involves other comprehensive income under the equity method of accounting and other changes in owners' equity other than net profit or loss, other comprehensive income and profit distribution, the related other comprehensive income and other changes in owners' equity are transferred to investment income for the current period to which they belong at the date of purchase, except for other comprehensive income resulting from the remeasurement of the investee's net liabilities or changes in net assets of the defined benefit plan. Other comprehensive income arising from the remeasurement of the net liabilities or net assets of the defined benefit plan is excluded.

(2) Disposal of subsidiaries or business

1) General treatment

During the reporting period, if the Company disposes of a subsidiary or business, the revenue, expenses and profit of the subsidiary or business from the beginning of the period to the date of disposal are included in the consolidated income statement; the cash flows of the subsidiary or business from the beginning of the period to the date of disposal are included in the consolidated cash flow statement.

When control over an investee is lost due to the disposal of a portion of the equity investment or for other reasons, the company remeasures the remaining equity investment after disposal at its fair value at the date of loss of control. The difference between the sum of the consideration received for the disposal of the equity interest and the fair value of the remaining equity interest, less the sum of the share of the net assets of the original subsidiary calculated on a continuing basis from the date of purchase or the date of consolidation in proportion to the original shareholding and goodwill, is recognized as investment income in the period in which control is lost. Other comprehensive income or changes in owners' equity other than net profit or loss, other comprehensive income and profit distribution related to the equity investment in the original subsidiary is transferred to investment income in the period when control is lost, except for other comprehensive income arising from the remeasurement of the investee's net liabilities or changes in net assets of the defined benefit plan.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VI) Preparation of consolidated financial statements (continued)

2. Consolidated procedure (continued)

(2) Disposal of subsidiaries or business (continued)

2) Disposal of subsidiary achieved by stages

Where an equity investment in a subsidiary is disposed of in steps through multiple transactions until control is lost, the terms, conditions and economic effects of each transaction to dispose of the equity investment in the subsidiary are such that one or more of the following circumstances normally indicate that the multiple transaction event should be accounted for as a package transaction:

A. The transactions were entered into simultaneously or after consideration of their mutual effects;

B. The transactions as a whole are necessary to achieve a complete business result;

C. The occurrence of one transaction is dependent on the occurrence of at least one other transaction;

D. A transaction is uneconomic when viewed alone but is economic when considered together with other transactions.

If each transaction for the disposal of an equity investment in a subsidiary until the loss of control is a package transaction, the company accounts for each transaction as a disposal of a subsidiary and loss of control; however, the difference between the disposal price and the share of the net assets of the subsidiary corresponding to the disposal of the investment for each disposal prior to the loss of control is recognized in the consolidated financial statements as other comprehensive income and is transferred to profit or loss in the period in which control is lost.

If the various transactions for the disposal of equity investments in subsidiaries until the loss of control are not a package transaction, prior to the loss of control, the accounting treatment is based on the policies related to partial disposal of equity investments in subsidiaries without loss of control; upon the loss of control, the accounting treatment is based on the general treatment of disposal of subsidiaries.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VI) Preparation of consolidated financial statements (continued)

2. Consolidated procedure (continued)

(3) Acquisition of minority interest of subsidiary

The difference between the company's newly acquired long-term equity investment due to the purchase of minority interest and its share of the net assets of the subsidiary calculated on a continuing basis from the date of purchase (or the date of consolidation) based on the newly acquired shareholding is adjusted to the equity premium in capital surplus in the consolidated balance sheet, and if the equity premium in capital surplus is not sufficient for elimination, it is adjusted to retained earnings.

(4) Partial disposal of equity investment in subsidiary without losing control

The difference between the disposal price obtained from partial disposal of long-term equity investments in subsidiaries without loss of control and the share in the net assets of the subsidiaries calculated on an ongoing basis from the date of purchase or the date of consolidation corresponding to the disposal of long-term equity investments is adjusted against the equity premium in capital surplus in the consolidated balance sheet, and if the equity premium in capital surplus is not sufficient to cover the reduction, retained earnings is adjusted.

(VII) Classification of joint arrangements and accounting treatment method for joint operations

1. Classification of joint venture arrangements

The Company classifies joint venture arrangements into joint operations and joint ventures based on the structure of the joint venture arrangement, its legal form and the terms agreed upon in the joint venture arrangement, and other relevant facts and circumstances.

Joint venture arrangements that are not entered into through separate entities are classified as joint operations; joint venture arrangements entered into through separate entities are usually classified as joint ventures; however, there is conclusive evidence that any of the following conditions are met and that the joint venture arrangement is classified as a joint operation in accordance with relevant laws and regulations:

(1) The legal form of the joint venture arrangement indicates that the joint venture parties have separate rights and obligations with respect to the relevant assets and liabilities of the arrangement.

(2) The contractual terms of the joint venture arrangement stipulate that the joint venture parties have rights and obligations, respectively, with respect to the relevant assets and liabilities of the arrangement.

(3) Other relevant facts and circumstances indicate that the joint venture party has rights and obligations, respectively, with respect to the relevant assets and liabilities in the arrangement, such as the joint venture party's enjoyment of substantially all of the output associated with the joint venture arrangement and the ongoing dependence on the joint venture party for the satisfaction of the liabilities in the arrangement.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VII) Classification of joint arrangements and accounting treatment method for joint operations (continued)

2. Accounting for joint operations

The Company recognizes the following items in its share of interest in joint operations that relate to the Company and accounts for them in accordance with the relevant corporate accounting standards:

(1) Recognition of assets held separately and of jointly held assets in proportion to their shares;

(2) Recognition of liabilities held separately, and of liabilities held jointly in proportion to their shares;

(3) Recognition of income from the sale of its share of the output of a joint operation;

(4) Recognition of revenue from the sale of output from joint operations in its share.

(5) Recognition of expenses incurred separately and, in proportion to their shares, jointly.

When the Company contributes or sells assets, etc. to a joint operation (except when such assets constitute a business), only the portion of the gain or loss attributable to the other participants in the joint operation arising from the transaction is recognized until such assets, etc. are sold by the joint operation to a third party. If an impairment loss is incurred on assets contributed or sold in accordance with the provisions of Business Accounting Standards No. 8 – Impairment of Assets, etc., the company recognizes such loss in full.

When the Company purchases assets, etc. from a joint operation (except when such assets constitute a business), it recognizes only the portion of the gain or loss attributable to the other participants in the joint operation arising from the transaction until the assets, etc. are sold to a third party. If an impairment loss on an asset acquired in accordance with the provisions of Business Accounting Standards No. 8 – Impairment of Assets, etc. occurs, the Company recognizes the portion of the loss that is attributable to the Company's share.

The Company does not enjoy common control over the joint operation, if the Company enjoys the assets related to the joint operation and bears the liabilities related to the joint operation, the accounting treatment shall still be based on the above principles, otherwise, the accounting treatment shall be in accordance with the provisions of relevant enterprise accounting standards.

(VIII) Criteria for determining cash and cash equivalents

In preparing the statement of cash flows, the Company recognizes cash on hand and deposits that are readily available for payment as cash. Investments that have all four conditions: short maturity (generally maturing within three months from the date of purchase), high liquidity, easy conversion to known amounts of cash, and minimal risk of changes in value are identified as cash equivalents.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(IX) Foreign currency operations and translation of foreign currency statements

1. Foreign currency operations

On initial recognition, foreign currency transactions are recorded in Chinese Yuan using the spot exchange rate on the date of the transaction as the translation rate.

At the balance sheet date, monetary items denominated in foreign currencies are translated at the spot exchange rate at the balance sheet date, and the resulting exchange differences are recognized in profit or loss, except for those arising from special borrowings in foreign currencies related to the acquisition of assets eligible for capitalization, which are treated in accordance with the principle of capitalizing borrowing costs. Non-monetary items measured in terms of historical cost in foreign currencies are still translated using the spot exchange rate at the date of the transaction, without changing the amount of the local currency of account.

Non-monetary items measured at fair value in foreign currencies are translated using the spot exchange rate at the date the fair value is determined. The difference between the translated amount in the carrying amount and the amount in the original carrying amount is treated as a change in fair value (including exchange rate changes) and recognized in current profit or loss or as other comprehensive income.

2. Translation of foreign currency in financial statements

Assets and liabilities in the balance sheet are translated using the spot rate of exchange at the balance sheet date; items in owners' equity, except for "undistributed earnings", are translated using the spot rate of exchange at the time of occurrence. Income and expense items in the income statement are translated using the spot exchange rate at the date of the transaction. Translation differences arising from the above translation are recognized in other comprehensive income.

When a foreign operation is disposed of, the foreign currency translation difference shown in the balance sheet under other comprehensive income and related to the foreign operation is transferred from other comprehensive income to profit or loss in the period of disposal; when a portion of the equity investment is disposed of or the proportion of interest in the foreign operation is reduced for other reasons but control over the foreign operation is not lost, the foreign currency translation difference related to the disposed portion of the foreign operation is The difference in translation of foreign currency statements related to the disposal of foreign operations will be attributed to minority interests and will not be transferred to profit or loss for the current period. When a foreign operation is disposed of as part of an associate or joint venture, the foreign currency translation differences related to the foreign operation are transferred to profit or loss in the period of disposal in proportion to the disposal of the foreign operation.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments

The Company recognizes a financial asset or a financial liability when it becomes a party to a financial instrument contract.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income or interest expense to each accounting period.

The effective interest rate is the rate used to discount the estimated future cash flows of a financial asset or financial liability through its expected life to the carrying amount of the financial asset or the amortized cost of the financial liability. In determining the effective interest rate, the expected cash flows are estimated taking into account all contractual terms of the financial asset or financial liability (such as early repayment, rollover, call option or other similar options, etc.), but not the expected credit losses.

The amortized cost of a financial asset or financial liability is the accumulated amortization resulting from the initial recognition amount of the financial asset or financial liability, less the principal repaid, plus or minus the difference between that initial recognition amount and the maturity amount using the effective interest method, less accumulated accrual for impairment losses (applicable only to financial assets).

1. *Classification, Recognition, and Measurement of Financial Instruments*

The Company classifies its financial assets into the following three categories based on the business model of the financial assets under management and the contractual cash flow characteristics of the financial assets:

(1) Financial assets measured at amortized cost.

(2) Financial assets at fair value through other comprehensive income.

(3) Financial assets at fair value through profit and loss.

Financial assets are measured at fair value on initial recognition, except for accounts receivable or notes receivable arising from the sale of goods or services that do not contain a significant financing component or do not consider a financing component of less than one year, which are initially measured at transaction price.

For financial assets at fair value through profit and loss, the related transaction costs are recognized directly in profit and loss, while for other categories of financial assets, the related transaction costs are recognized in their initial recognition amounts.

The subsequent measurement of a financial asset depends on its classification, and all relevant financial assets affected are reclassified when, and only when, the Company changes its business model for managing financial assets.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (continued)

1. Classification, Recognition, and Measurement of Financial Instruments (continued)

(1) Financial assets classified as measured at amortized cost

If the contractual terms of a financial asset provide that the cash flows arising on a specific date are solely payments of principal and interest based on the outstanding principal amount, and the business model for managing the financial asset is to collect the contractual cash flows, the company classifies the financial asset as a financial asset measured at amortized cost. The company's financial assets classified as financial assets carried at amortized cost include monetary funds, notes receivable, accounts receivable, other receivables, long-term receivables, and debt investments.

The Company uses the effective interest rate method to recognize interest income on such financial assets and subsequently measures them at amortized cost. Gains or losses arising from their impairment or derecognition or modification are recognized in profit or loss for the current period. The Company determines interest income based on the carrying amount of the financial assets multiplied by the effective interest rate, except for the following cases:

1) For financial assets acquired or originated with credit impairment, the Company determines the interest income from the initial recognition on the basis of the amortized cost of the financial assets and the effective interest rate adjusted for credit.

2) For financial assets acquired or originated that are not credit impaired but become credit impaired in a subsequent period, the company determines interest income in the subsequent period based on the amortized cost of the financial asset and the effective interest rate. If the financial instrument is no longer credit impaired in a subsequent period because its credit risk has improved, the Company determines interest income by multiplying the effective interest rate by the carrying amount of the financial asset.

(2) Financial assets classified as at fair value through other comprehensive income

If the contractual terms of a financial asset provide that the only cash flows arising on a specific date are payments of principal and interest based on the principal amount outstanding, and the business model for managing the financial asset is to both collect the contractual cash flows and sell the financial asset, the Company classifies the financial asset as a financial asset measured at fair value through other comprehensive income.

The Company uses the effective interest rate method to recognize interest income on such financial assets. Except for interest income, impairment loss and exchange differences recognized in profit or loss, the remaining changes in fair value are recognized in other comprehensive income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is transferred from other comprehensive income and recognized in profit or loss for the period.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (continued)

1. *Classification, Recognition, and Measurement of Financial Instruments (continued)*

(2) *Financial assets classified as at fair value through other comprehensive income (continued)*

Notes receivable and accounts receivable measured at fair value through other comprehensive income are reported as financing receivables, and other such financial assets are reported as other debt investments, of which: other debt investments maturing within one year from the balance sheet date are reported as non-current assets maturing within one year, and other debt investments with original maturities of less than one year are reported as other current assets.

(3) *Financial assets designated as at fair value through other comprehensive income*

On initial recognition, the Company may irrevocably designate investments in non-trading equity instruments as financial assets at fair value through other comprehensive income on the basis of a single financial asset.

Changes in the fair value of such financial assets are recognized in other comprehensive income and no impairment allowance is required. Upon derecognition of such financial assets, the cumulative gain or loss previously recognized in other comprehensive income is transferred from other comprehensive income and included in retained earnings. Dividend income is recognized and recognized in profit or loss over the period in which the Company holds the investment in this equity instrument, when the Company's right to receive dividends has been established, it is probable that the economic benefits associated with the dividends will flow to the Company, and the amount of the dividends can be measured reliably. The Company reports such financial assets under the item of investment in other equity instruments.

An investment in equity instruments is a financial asset at fair value through profit or loss if it meets one of the following conditions, it was acquired principally for the purpose of selling in the near term; it is part of a portfolio of centrally managed identifiable financial asset instruments at initial recognition and there is objective evidence of a recent actual pattern of short-term profit-taking; it is a derivative (other than those that meet the definition of a financial guarantee contract and those that are designated as effective hedging instruments).

(4) *Financial assets classified as at fair value through profit or loss*

Financial assets that do not qualify for classification as financial assets at amortized cost or at fair value through other comprehensive income and are not designated as at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss.

The Company uses fair value for the subsequent measurement of such financial assets and recognizes gains or losses arising from changes in fair value and dividend and interest income related to such financial assets in profit or loss for the current period.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (continued)

1. Classification, Recognition, and Measurement of Financial Instruments (continued)

(4) Financial assets classified as at fair value through profit or loss (continued)

The Company presents such financial assets under the items of financial assets held for trading and other non-current financial assets according to their liquidity.

(5) Financial assets designated as at fair value through profit or loss

At initial recognition, the company may irrevocably designate a financial asset as at fair value through profit or loss on an individual basis in order to eliminate or significantly reduce accounting mismatches.

If a hybrid contract contains one or more embedded derivatives and its main contract is not one of the above financial assets, the Company may designate the whole of it as a financial instrument at fair value through profit or loss. However, except for the following cases:

1) Embedded derivatives do not materially change the cash flows of hybrid contracts.

2) When first determining whether a similar hybrid contract requires a spin-off, little analysis is required to clarify that the embedded derivatives it contains should not be spun off. If an early repayment right embedded in a loan allows the holder to repay the loan early at an amount close to amortized cost, the early repayment right does not require a spin-off.

The Company uses fair value for the subsequent measurement of such financial assets and recognizes gains or losses arising from changes in fair value and dividend and interest income related to such financial assets in profit or loss for the current period.

The Company presents such financial assets under the items of financial assets held for trading and other non-current financial assets according to their liquidity.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (continued)

2. Classification, recognition, and measurement of financial liabilities

The Company classifies a financial instrument or its components as financial liabilities or equity instruments at initial recognition based on the contractual terms of the financial instrument issued and the economic substance reflected therein, rather than solely in legal form, in conjunction with the definitions of financial liabilities and equity instruments. Financial liabilities are classified at initial recognition as follows: financial liabilities at fair value through profit or loss, other financial liabilities, derivatives designated as effective hedging instruments.

Financial liabilities are measured at fair value at initial recognition. For financial liabilities at fair value through profit or loss, the related transaction costs are recognized directly in profit or loss; for other categories of financial liabilities, the related transaction costs are recognized in the initial recognition amount.

The subsequent measurement of financial liabilities depends on their classification:

(1) Financial liabilities at fair value through profit or loss

Such financial liabilities include financial liabilities held for trading (including derivatives that are financial liabilities) and financial liabilities designated as at fair value through profit or loss on initial recognitions.

A financial liability is classified as a financial liability held for trading if one of the following conditions is met: the financial liability is assumed primarily for the purpose of selling or repurchasing in the near future; it is part of a portfolio of centrally managed identifiable financial instruments and there is objective evidence that the enterprise has recently adopted a pattern of short-term profit-taking; it is a derivative instrument, except for derivatives that are designated and are effective hedging instruments, derivatives that qualify as financial guarantee contracts Exceptions. Trading financial liabilities (including derivatives that are financial liabilities) are subsequently measured at fair value, and all changes in fair value are recognized in profit or loss, except in relation to hedge accounting.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (continued)

2. Classification, recognition, and measurement of financial liabilities (continued)

(1) Financial liabilities at fair value through profit or loss (continued)

On initial recognition, for the purpose of providing more relevant accounting information, the company irrevocably designates financial liabilities that meet one of the following conditions as financial liabilities at fair value through profit or loss:

1) Ability to eliminate or significantly reduce accounting mismatches.

2) Management and performance evaluation of a portfolio of financial liabilities or a portfolio of financial assets and financial liabilities on a fair value basis in accordance with the enterprise's risk management or investment strategy as set out in formal written documentation, and reporting to key management personnel on this basis within the enterprise.

The Company uses fair value for the subsequent measurement of such financial liabilities and recognizes changes in fair value in profit or loss, except for changes in fair value arising from changes in the Company's own credit risk, which are recognized in other comprehensive income. The company recognizes all changes in fair value, including the amount of the effect of changes in its own credit risk, in profit or loss unless the inclusion of changes in fair value in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

(2) Other financial liabilities

The Company classifies financial liabilities as financial liabilities measured at amortized cost, except for the following, for which the Company applies the effective interest method and subsequently measures them at amortized cost, with gains or losses arising from derecognition or amortization recognized in profit or loss for the current period:

1) Financial liabilities at fair value through profit or loss.

2) Financial liabilities arising from the transfer of financial assets that do not qualify for derecognition or continue to be involved in the transferred financial assets.

3) Financial guarantee contracts that do not fall under the first two categories of this article, as well as loan commitments that do not fall under category 1) of this article to lend at below-market interest rates.

A financial guarantee contract is a contract that requires the issuer to pay a specified amount to the contract holder who has suffered a loss when a specified debtor is unable to pay its debt when due in accordance with the terms of the original or modified debt instrument. Financial guarantee contracts that are not financial liabilities designated as at fair value through profit or loss are measured, after initial recognition, at the higher of the amount of the allowance for loss and the amount initially recognized, less accumulated amortization over the guarantee period.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (continued)

3. Derecognition of financial assets and liabilities

(1) A financial asset is derecognized, i.e., reversed from its accounts and balance sheet, if one of the following conditions is met:

1) Termination of contractual rights to receive cash flows from the financial asset.

2) The financial asset has been transferred and the transfer satisfies the requirements for derecognition of the financial asset.

(2) Conditions for derecognition of financial liabilities

A financial liability (or part of a financial liability) is derecognized when the present obligation is discharged from the financial liability (or part of the financial liability).

If an agreement is entered into between the company and the lender to replace an original financial liability by the assumption of a new financial liability, and the contractual terms of the new financial liability are materially different from those of the original financial liability, or the contractual terms of the original financial liability (or part thereof) are materially modified, the original financial liability is derecognized and a new financial liability is recognized, and the difference between the carrying amount and the consideration paid (including non-cash assets transferred or liabilities assumed) is recognized in profit or loss for the period.

If the Company repurchases a portion of a financial liability, the carrying amount of the financial liability as a whole is allocated to the respective fair values of the continuing recognized portion and the derecognized portion as a percentage of the overall fair value at the date of repurchase. The difference between the carrying amount allocated to the derecognized portion and the consideration paid (including the non-cash assets transferred or liabilities assumed) should be recognized in profit or loss for the current period.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (continued)

4. Recognition basis and measurement method of financial asset transfer

The Company assesses the extent to which it retains the risks and rewards of ownership of a financial asset when a transfer of the financial asset occurs, and treats each case separately as follows:

(1) If substantially all the risks and rewards of ownership of a financial asset are transferred, the financial asset is derecognized, and the rights and obligations arising or retained from the transfer are recognized separately as assets or liabilities.

(2) If substantially all the risks and rewards of ownership of a financial asset are retained, the financial asset continues to be recognized.

(3) If it neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset (i.e., in cases other than (1) and (2) of this Article), it is treated as follows, depending on whether it retains control over the financial assets:

1) If control over the financial asset is not retained, the financial asset is derecognized and the rights and obligations arising from or retained in the transfer are recognized separately as assets or liabilities.

2) If control over the financial asset is retained, the company continues to recognize the relevant financial asset to the extent of its continuing involvement in the transferred financial asset and recognizes the related liability accordingly. The extent of continuing involvement in the transferred financial assets is the extent to which the company bears the risk or reward of changes in value of the transferred financial assets.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (continued)

4. *Recognition basis and measurement method of financial asset transfer (continued)*

In determining whether a transfer of financial assets meets the above conditions for derecognition of financial assets, the principle of substance over form is applied. The Company distinguishes between transfers of financial assets as a whole and partial transfers of financial assets:

(1) When a transfer of a financial asset as a whole satisfies the derecognition condition, the difference between the following two amounts is recognized in profit or loss:

1) Carrying value of the transferred financial asset at the date of derecognition.

2) The sum of the consideration received for the transfer of a financial asset and the amount corresponding to the derecognized portion of the cumulative amount of changes in fair value previously recognized directly in other comprehensive income (financial assets involved in the transfer are those measured at fair value through other comprehensive income).

(2) If a portion of a financial asset is transferred and the transferred portion as a whole meets the derecognition condition, the carrying amount of the financial asset as a whole before the transfer is apportioned between the derecognized portion and the continuing recognized portion (in which case the retained service asset shall be treated as part of the continuing recognized financial asset) according to their respective relative fair values at the date of transfer, and the difference between the following two amounts is recognized in profit or loss:

1) Carrying value of derecognized portion at the date of derecognition.

2) The sum of the consideration received for the derecognized portion and the amount corresponding to the derecognized portion of the accumulated changes in fair value originally recognized in other comprehensive income (financial assets involved in the transfer are financial assets at fair value through other comprehensive income).

If the transfer of a financial asset does not meet the conditions for derecognition, the financial asset continues to be recognized and the consideration received is recognized as a financial liability.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (continued)

5. Determination of the fair value of financial assets and financial liabilities

The fair value of a financial asset or financial liability for which there is an active market is determined using quoted prices in an active market unless there is a restricted period for the financial asset specific to the asset itself. The fair value of financial assets with an inherently restricted period is determined based on quoted prices in active markets, less any compensation required by market participants for assuming the risk that the financial assets will not be available for sale in the open market within a specified period. Quoted prices in active markets include quotations for the relevant assets or liabilities that are readily and regularly available from exchanges, dealers, brokers, industry groups, pricing agencies or regulators, etc. and are representative of actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial assets initially acquired or derived, or financial liabilities assumed is determined on the basis of market transaction prices.

Financial assets or financial liabilities for which no active market exists are valued using valuation techniques to determine their fair value. In valuation, the company uses valuation techniques that are applicable in the current circumstances and supported by sufficient available data and other information, selects inputs that are consistent with the characteristics of the asset or liability considered by market participants in transactions for the relevant asset or liability, and gives priority to the use of relevant observable inputs whenever possible. Use unobservable inputs when relevant observable inputs are not available or not practicable to obtain.

6. Impairment of financial instruments

The Company accounts for financial assets measured at amortized cost, financial assets classified as at fair value through other comprehensive income and financial guarantee contracts that do not meet the derecognition criteria for transfer of financial assets or continue to be involved in the financial liabilities arising from the transferred financial assets on the basis of expected credit losses and recognizes a provision for losses.

Expected credit losses, which are the weighted average of credit losses on financial instruments weighted by the risk of default. Credit loss is the difference between all contractual cash flows receivable under the contract and all cash flows expected to be received by the company, discounted at the original effective interest rate, which is the present value of all cash shortages. In particular, for financial assets purchased or originated by the company that are credit impaired, the credit-adjusted effective interest rate of the financial assets shall be discounted.

For receivables resulting from transactions governed by the revenue standard, the company applies a simplified measurement approach and measures the allowance for losses at an amount equal to the expected credit loss over the entire life of the receivable.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (continued)

6. Impairment of financial instruments (continued)

For financial assets that are purchased or originated with credit impairment, only the cumulative changes in expected credit losses throughout their lives since initial recognition are recognized as a provision for losses at the balance sheet date. At each balance sheet date, the amount of the change in expected credit losses over the entire life of the asset is recognized as an impairment loss or gain in profit or loss. A favorable change in expected credit losses is recognized as an impairment gain even if the expected credit losses determined at that balance sheet date for the entire life of the asset are less than the amount of expected credit losses reflected in the estimated cash flows at initial recognition.

For financial assets other than those for which simplified measurement methods and purchased or originated credit impairment have been applied as described above, the company assesses at each balance sheet date whether the credit risk of the relevant financial instruments has increased significantly since initial recognition, and measures the allowance for losses, recognizes expected credit losses and changes therein, respectively, in accordance with the following circumstances:

(1) If the credit risk of the financial instrument has not increased significantly since initial recognition and is in the first stage, the allowance for losses is measured at an amount equal to the expected credit loss of the financial instrument over the next 12 months and interest income is calculated based on the carrying amount and effective interest rate.

(2) If the credit risk of the financial instrument has increased significantly since initial recognition but no credit impairment has occurred, it is in the second stage, the allowance for losses is measured at an amount equal to the expected credit loss over the entire life of the financial instrument, and interest income is calculated based on the carrying amount and effective interest rate.

(3) If the financial instrument has been credit impaired since initial recognition and is in the third stage, the Company measures its loss allowance at an amount equal to the expected credit loss over the entire life of the financial instrument and calculates interest income at amortized cost and effective interest rate.

The amount of increase or reversal of the allowance for credit losses on financial instruments is recognized as impairment loss or gain in profit or loss. Except for financial assets classified as financial assets at fair value through other comprehensive income, the allowance for credit losses is offset against the carrying amount of the financial assets. For financial assets classified as at fair value through other comprehensive income, the Company recognizes a provision for credit losses in other comprehensive income without reducing the carrying amount of the financial assets presented in the balance sheet.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (continued)

6. Impairment of financial instruments (continued)

If the Company has measured the provision for losses in the previous accounting period at an amount equal to the expected credit losses over the entire life of the financial instrument, but at the balance sheet date of the current period, the financial instrument is no longer subject to a significant increase in credit risk since initial recognition, the Company measures the provision for losses on the financial instrument at the balance sheet date of the current period at an amount equal to the expected credit losses over the next 12 months, and the resulting reversal of the provision for losses is recognized as an impairment gain in profit or loss for the current period.

(1) Credit risk increased significantly

The Company determines whether the credit risk of a financial instrument has increased significantly since initial recognition by comparing the risk of default of the financial instrument at the balance sheet date with the risk of default at the date of initial recognition using reasonable and substantiated forward-looking information that is available. For financial guaranteed contracts, the company uses the date the Company becomes a party to the irrevocable commitment as the initial recognition date when applying the accrual for impairment of financial instruments.

The Company considers the following factors when assessing whether there is a significant increase in credit risk:

1) Whether there is a significant change in the actual or expected results of operations of the debtor;

2) Whether there has been a significant adverse change in the regulatory, economic or technological environment in which the debtor operates;

3) Whether there have been significant changes in the value of collateral pledged as security for the debt or in the quality of guarantees or credit enhancements provided by third parties that are expected to reduce the debtor's economic incentive to repay the debt by the contractual deadline or to affect the probability of default;

4) Whether there are significant changes in the debtor's expected performance and repayment behavior;

5) Whether there are changes in the Company's approach to credit management of financial instruments, etc.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (continued)

6. Impairment of financial instruments (continued)

(1) Credit risk increased significantly (continued)

At the balance sheet date, if the Company determines that a financial instrument has only low credit risk, the Company assumes that the credit risk of the financial instrument has not increased significantly since initial recognition. A financial instrument is considered to have low credit risk if the risk of default is low, the borrower's ability to meet its contractual cash flow obligations in the short term is strong, and the borrower's ability to meet its contractual cash flow obligations may not necessarily be reduced even if there are adverse changes in economic conditions and business environment in the longer term.

(2) Financial assets that are credit impaired

A financial asset becomes credit impaired when one or more events occur that have an adverse effect on the expected future cash flows of the financial asset. Evidence that a financial asset is credit impaired includes the following observable information:

1) Significant financial difficulty of the issuer or debtor;

2) Breach of contract by the debtor, such as default or delinquency in interest or principal payments;

3) Creditors granting concessions to the debtor that the debtor would not otherwise make because of economic or contractual considerations related to the debtor's financial difficulties;

4) A high probability of bankruptcy or other financial reorganization of the debtor;

5) The disappearance of an active market for the financial asset as a result of the financial difficulties of the issuer or the debtor;

6) A financial asset is purchased or originated at a significant discount that reflects the fact that a credit loss has occurred.

A credit impairment of a financial asset may be the result of a combination of events and may not necessarily be the result of separately identifiable events.

(3) Determination of expected credit losses

The Company evaluates expected credit losses on financial instruments on an individual and portfolio basis, taking into account reasonable and substantiated information about past events, current conditions and projections of future economic conditions when assessing expected credit losses.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (continued)

6. Impairment of financial instruments (continued)

(3) Determination of expected credit losses (continued)

The Company classifies financial instruments into different portfolios based on common credit risk characteristics. The common credit risk characteristics used by the Company include type of financial instrument, credit risk rating, ageing portfolio, past due ageing portfolio, contractual settlement cycle, and industry in which the debtor is located. The individual evaluation criteria and portfolio credit risk characteristics of the related financial instruments are detailed in the accounting policies of the related financial instruments.

The Company determines the expected credit losses on the related financial instruments in accordance with the following methods:

1) For financial assets, credit losses are the present value of the difference between the contractual cash flows receivable by the Company and the cash flows expected to be collected.

2) For lease receivables, credit losses are the present value of the difference between the contractual cash flows receivable by the Company and the cash flows expected to be collected.

3) For financial guaranteed contracts, credit losses are the present value of the difference between the expected payment to be made by the Company to the holder of such contract for credit losses incurred, less the amount expected to be collected by the company from the holder of such contract, the debtor, or any other party.

4) For financial assets that are credit impaired at the balance sheet date but not purchased or originated with credit impairment, the credit loss is the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the original effective interest rate.

The Company's approach to measuring expected credit losses on financial instruments reflects factors such as: the weighted average amount of unbiased probabilities determined by evaluating a range of possible outcomes; the time value of money; and reasonable and substantiated information about past events, current conditions and projections of future economic conditions that is available at the balance sheet date without undue additional cost or effort.

(4) Write-down of financial assets

When the Company no longer has a reasonable expectation that the contractual cash flows from a financial asset will be fully or partially recovered, the carrying amount of the financial asset is written down directly. Such write-down constitutes derecognition of the related financial asset.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (continued)

7. Offset of financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the balance sheet and are not offset against each other. However, they are presented in the balance sheet as net amounts after offsetting each other if the following conditions are also met:

(1) The Company has a legal right to offset the recognized amounts and such legal right is currently enforceable;

(2) The Company plans to settle on a net basis, or to realize the financial asset and settle the financial liability at the same time.

(XI) Notes receivable

The Company determines the expected credit losses on notes receivable and accounts for them as described in Note X/6 "Impairment of financial instruments".

The Company separately determines credit losses on notes receivable resulting from transactions governed by the income guidelines.

When sufficient evidence of expected credit losses cannot be assessed at the individual instrument level at a reasonable cost, the Company classifies notes receivable into certain portfolios based on credit risk characteristics, considering historical credit loss experience, current conditions and judgments about future economic conditions, and calculates expected credit losses on the basis of the portfolios. The basis for determining the portfolio is as follows:

Name of portfolio	Basis for determining	Accrue method
Banker's Acceptance Note Portfolio	Accepting Institution	Calculation of expected credit losses by reference to historical credit loss experience, combined with current conditions and forecasts of future economic conditions, through default exposures and expected credit loss rates over the entire duration.
Commercial Promissory Note Portfolio	Acceptor	Prepare a table comparing the aging of notes receivable with expected credit losses throughout the life of the notes by referring to historical credit loss experience, taking into account current conditions and forecasts of future economic conditions, and calculate expected credit losses.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XII) Accounts receivable

The Company's method of determining expected credit losses on accounts receivable and its accounting treatment are detailed in Note X/6 "Impairment of financial instruments".

The Company separately determines credit losses on accounts receivable resulting from transactions governed by the income guidelines.

When sufficient evidence of expected credit losses cannot be assessed at the individual instrument level at a reasonable cost, the company classifies accounts receivable into certain portfolios based on credit risk characteristics by referring to historical credit loss experience, taking into account current conditions and judgment of future economic conditions, and calculates expected credit losses on the basis of the portfolios. The basis for determining the portfolio is as follows:

Name of portfolio	Basis for determining	Accrue method
Full amount of expected credit loss portfolio	Account receivables which have full impairment of bad debts.	Accounts receivable with expected credit losses are individually evaluated with reference to historical credit loss experience, current conditions and forecasts of future economic conditions, and are classified into the corresponding portfolio for bad debt provisioning
Age of accounts risk portfolio	All accounts receivable except those for which full impairment of bad debts have been applied.	Calculate expected credit losses by referring to historical credit loss experience, combining current conditions and forecasts of future economic conditions, through default exposures and expected credit loss rates over the entire duration

(XIII) Receivable's financing

The Company's method of determining expected credit losses on receivables financing and its accounting treatment are detailed in Note X/6 "Impairment of financial instruments".

(XIV) Other receivables

The Company's method of determining and accounting for expected credit losses on other receivables is detailed in Note X/6 "Impairment of financial instruments".

The Company separately determines credit losses on other receivables for which sufficient evidence of expected credit losses can be assessed at the individual instrument level at a reasonable cost.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XIV) Other receivables (continued)

When sufficient evidence of expected credit losses cannot be assessed at the individual instrument level at a reasonable cost, the Company classifies other receivables into certain portfolios based on credit risk characteristics by referring to historical credit loss experience, taking into account current conditions and judgment of future economic conditions, and calculates expected credit losses on the basis of the portfolios. The basis for determining the portfolio is as follows:

Name of portfolio	Basis for determining	Accrue method
Full amount of expected credit loss portfolio	Other account receivables which have full impairment of bad debts.	Other receivables with expected credit losses are individually evaluated with reference to historical credit loss experience, current conditions and forecasts of future economic conditions, and are classified in the appropriate portfolio for bad debt provisioning
Age of accounts risk portfolio	All other account receivables except those for which full impairment of bad debts have been applied.	Calculate expected credit losses based on reference to historical credit loss experience, current conditions and forecasts of future economic conditions, and prepare a comparison table of the aging of other receivables over the next 12 months or the entire duration.

(XV) Inventory

1. *Classification of inventories*

Inventories are finished goods or merchandise held for sale in the ordinary course of the company's activities, work-in-progress in the production process, materials and supplies consumed in the production process or in the provision of labor services, etc. They mainly include raw materials, goods in stock, and low-value consumables.

2. *Inventory valuation method*

Inventories are initially measured at cost when acquired, including purchase cost, processing cost and other costs. Inventories are valued by the weighted-average method when they are issued.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XV) Inventory (continued)

3. *The basis for determining the net realizable value of inventories and the impairment for inventory*

The impairment for inventories is made or adjusted at the lower of cost or net realizable value at the end of the period after a comprehensive inventory check. The net realizable value of finished goods, inventory and materials for sale, which are directly used for sale, is determined in the normal course of production and operation as the estimated selling price of the inventory less estimated selling expenses and related taxes; the net realizable value of materials for processing is determined in the normal course of production and operation as the estimated selling price of the finished goods produced less estimated costs to be incurred to completion, estimated selling expenses and related taxes. The net realizable value of inventories held for the execution of sales contracts or labor contracts is calculated based on the contract price. If the quantity of inventories held exceeds the quantity ordered in the sales contract, the net realizable value of the excess inventories is calculated on the basis of the general sales price.

Impairment of inventories is made at period end on the basis of individual inventory items; however, for inventories with large quantities and lower unit prices impairment of inventories is made according to inventory categories; inventories that are related to product lines manufactured and sold in the same region, have the same or similar end use or purpose, and are difficult to be measured separately from other items are combined and impairment for inventory is made.

If the factors affecting previous write-down of inventory value have disappeared, the amount of the write-down is restored and reversed within the amount of the original impairment of inventories, and the amounts reversed are charged to current period profit or loss.

4. *Inventory system for inventories*

Adopt perpetual inventory counting system.

5. *Amortization method of low-value consumables and packaging*

Low-value consumables are amortized using the one-time reversal method

(XVI) Other debt investment

The method of determining expected credit losses and the accounting treatment of the company's other debt investments is detailed in Note X/6 "Impairment of financial instruments".

(XVII) Long-term receivables

The Company's method of determining expected credit losses on long-term receivables and its accounting treatment are detailed in Note X/6 "Impairment of financial instruments".

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XVIII) Long-term equity instruments

1. Initial determination of investment costs

(1) Long-term equity investments resulting from business combinations are accounted for as described in Note V "Accounting for business combinations under common control and non-common control".

(2) Long-term equity investments acquired by other methods.

Long-term equity investments acquired by cash payment are recorded at initial investment cost based on the actual purchase price paid. The initial investment cost includes expenses directly related to the acquisition of long-term equity investments, taxes and other necessary expenses.

Long-term equity investments acquired by issuing equity securities are recorded at the fair value of the equity securities issued as the initial investment cost; transaction costs incurred in issuing or acquiring its own equity instruments that are directly attributable to equity transactions are deducted from equity.

On the premise that the exchange of non-monetary assets has commercial substance and the fair value of the assets exchanged or exchanged can be measured reliably, the initial investment cost of long-term equity investments acquired in exchange for non-monetary assets is determined on the basis of the fair value of the assets exchanged, unless there is conclusive evidence that the fair value of the assets exchanged is more reliable; for non-monetary asset exchanges that do not satisfy the above premise, the initial investment cost is determined on the basis of the book value of the assets exchanged and the related tax payable. For non-monetary asset exchanges that do not meet the above prerequisites, the book value of the assets exchanged, and the related taxes and fees payable are used as the initial investment cost of the long-term equity investment exchanged.

The initial investment cost of long-term equity investments acquired through debt restructuring is determined on the basis of fair value.

2. Subsequent measurement and profit or loss recognition

(1) Cost method

Long-term equity investments in which the Company is able to exercise control over the investee are accounted for using the cost method and are carried at initial investment cost, with additional or recovered investments adjusting the cost of long-term equity investments.

Except for the declared but unpaid cash dividends or profits included in the actual price or consideration paid when acquiring the investment, the Company recognizes as current investment income the cash dividends or profits declared and distributed by the investee according to its entitlement.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XVIII) Long-term equity instruments (continued)

2. Subsequent measurement and profit or loss recognition (continued)

(2) Equity method

The Company accounts for its long-term equity investments in associates and joint ventures using the equity method; for a portion of these equity investments in associates held indirectly through venture capital institutions, mutual funds, trust companies or similar entities including investment-linked insurance funds, they are measured at fair value and the changes are recognized in profit or loss.

The difference between the initial investment cost of a long-term equity investment and its share of the fair value of the identifiable net assets of the investee at the time of investment is not adjusted; the difference between the initial investment cost and its share of the fair value of the identifiable net assets of the investee at the time of investment is recognized in profit or loss for the current period.

Upon acquisition of a long-term equity investment, the Company recognizes investment income and other comprehensive income, respectively, based on the share of net profit or loss and other comprehensive income realized by the investee, and adjusts the carrying value of the long-term equity investment; and reduces the carrying value of the long-term equity investment accordingly, based on the portion of profit or cash dividends declared by the investee to which the Company is entitled; for the investee The carrying value of long-term equity investments is adjusted and recognized in owners' equity for changes in owners' equity other than net profit or loss, other comprehensive income and profit distribution.

The Company recognizes its share of the net profit or loss of the investee on the basis of the fair value of each identifiable asset, etc. of the investee at the time of acquisition of the investment, after adjusting the net profit of the investee. Unrealized gains or losses on internal transactions between the Company and its associates or joint ventures are recognized on the basis of the proportionate share of the gains or losses attributable to the Company, which is offset by the recognition of investment gains or losses on this basis.

When the Company recognizes its share of losses incurred by an investee, it is treated in the following order: First, the carrying amount of the long-term equity investment is reduced. Second, if the carrying value of long-term equity investments is not sufficient for elimination, investment losses continue to be recognized to the extent of the carrying value of other long-term equity interests that substantially constitute the net investment in the investee, and the carrying value of long-term receivables, etc. is eliminated. Finally, after the above treatment, if, according to the investment contract or agreement, the enterprise still assumes additional obligations, a estimated liability is recognized for the expected obligations assumed and included in the current investment loss.

If the investee achieves profitability in subsequent periods, the company, after deducting the unrecognized share of loss, treats the investment in the reverse order of the above, and resumes recognition of investment income after writing down the carrying amount of recognized estimated liabilities and restoring the carrying amount of other long-term equity interests and long-term equity investments that substantially constitute the net investment in the investee.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XVIII) Long-term equity instruments (continued)

3. Conversion of accounting method for long-term equity investments

(1) Transfer from fair value measurement to equity method accounting

If the equity investment originally held by the Company that does not have control, joint control or significant influence over the investee and is accounted for under the recognition and measurement of financial instruments standard is able to exercise significant influence or joint control over the investee but does not constitute control due to additional investment, etc., the sum of the fair value of the originally held equity investment plus the cost of the additional investment determined in accordance with AS 22 – Recognition and Measurement of Financial Instruments", the sum of the fair value of the equity investment originally held plus the cost of the additional investment shall be used as the initial investment cost to be accounted for under the equity method instead.

The difference between the initial investment cost accounted for under the equity method and the share of the fair value of the identifiable net assets of the investee at the date of additional investment, determined in accordance with the new percentage of shareholding after the additional investment, is adjusted to the carrying amount of the long-term equity investment and recognized as non-operating income for the period.

(2) Transfer from fair value measurement or equity method accounting to cost method accounting

If the Company originally holds equity investments that are not controlled, jointly controlled or significantly influenced by the investee and are accounted for in accordance with the Guidelines on Recognition and Measurement of Financial Instruments, or if the Company originally holds long-term equity investments in associates or joint ventures and is able to exercise control over investees not under common control due to additional investments, etc., the carrying value of the equity investments originally held is used in the preparation of individual financial statements as The sum of the book value of the original equity investment plus the cost of the additional investment shall be used as the initial cost of investment to be accounted for under the cost method.

Other comprehensive income recognized as a result of the equity method of accounting for equity investments held prior to the date of purchase is accounted for on the same basis as the direct disposal of the related assets or liabilities by the investee upon the disposal of the investment.

If an equity investment held before the date of purchase is accounted for in accordance with the relevant provisions of AS 22 – Recognition and Measurement of Financial Instruments, the accumulated changes in fair value previously recognized in other comprehensive income are transferred to current profit or loss when the investment is accounted for under the cost method instead.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XVIII) Long-term equity instruments (continued)

3. Conversion of accounting method for long-term equity investments (continued)

(3) Conversion of equity method accounting to fair value measurement

If the Company loses joint control or significant influence over an investee for reasons such as disposal of a portion of its equity investment, the remaining equity interest after disposal is accounted for in accordance with AS 22 – "Recognition and Measurement of Financial Instruments", and the difference between its fair value and book value at the date of loss of joint control or significant influence is recognized in the current period. Profit or loss.

Other comprehensive income recognized as a result of the equity method accounting for the former equity investment is accounted for on the same basis as the direct disposal of the related assets or liabilities by the investee when the equity method accounting is discontinued.

(4) Conversion from cost method to equity method

If the Company loses control over an investee for reasons such as the disposal of a portion of its equity investment, the Company will change to the equity method of accounting if the remaining equity interest after disposal is capable of exercising joint control or significant influence over the investee in the preparation of individual financial statements and adjust the remaining equity interest as if it had been accounted for under the equity method from the time of acquisition.

(5) Conversion from cost method to fair value measurement

If the Company loses control over an investee for reasons such as the disposal of a portion of its equity investment, in preparing the individual financial statements, if the remaining equity interest after disposal cannot exercise joint control or significant influence over the investee, it is instead accounted for in accordance with the relevant provisions of AS 22 – "Recognition and Measurement of Financial Instruments". The difference between its fair value and book value at the date of loss of control is recognized in profit or loss for the current period.

4. Disposal of long-term equity investment

The difference between the carrying amount and the actual acquisition price of a long-term equity investment disposed of shall be recognized in profit or loss for the current period. When a long-term equity investment accounted for using the equity method is disposed of, the same basis as that used for the direct disposal of the related assets or liabilities by the investee is used to account for the portion of the investment that was previously recognized in other comprehensive income at a corresponding rate.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XVIII) Long-term equity instruments (continued)

4. Disposal of long-term equity investment (continued)

The terms, conditions, and economic effects of each transaction to dispose of an equity investment in a subsidiary are accounted for as a package transaction for multiple transactions if one or more of the following conditions apply:

(1) The transactions are entered into simultaneously or after consideration of their effects on each other;

(2) The transactions as a whole are necessary to achieve a complete business result;

(3) The occurrence of one transaction is dependent on the occurrence of at least one other transaction;

(4) One transaction is uneconomic when viewed in isolation but is economic when considered together with other transactions.

If control over the original subsidiary is lost due to the disposal of part of the equity investment or for other reasons, it is not a package transaction, and the relevant accounting treatment is distinguished between individual financial statements and consolidated financial statements:

(1) In the individual financial statements, the difference between the carrying amount of the equity interest disposed of and the actual acquisition price is recognized in profit or loss for the current period. If the remaining equity interest after disposal can exercise joint control or significant influence over the investee, it is accounted for under the equity method instead, and the remaining equity interest is adjusted as if it had been accounted for under the equity method since its acquisition; if the remaining equity interest after disposal cannot exercise joint control or significant influence over the investee, it is accounted for in accordance with the relevant provisions of AS 22 – -The difference between the fair value and the carrying amount at the date of loss of control is recognized in profit or loss for the current period.

(2) In the consolidated financial statements, for each transaction prior to the loss of control over a subsidiary, the difference between the disposal price and the corresponding share of the long-term equity investment in the net assets of the subsidiary calculated on an ongoing basis from the date of purchase or the date of consolidation is adjusted to capital surplus (equity premium), and if capital surplus is not sufficient to offset the difference, retained earnings are adjusted; upon loss of control over a subsidiary, the remaining equity interest is recognized in accordance with Upon loss of control over a subsidiary, the remaining equity interest is remeasured at its fair value at the date of loss of control. The difference between the sum of the consideration received for the disposal of the equity interest and the fair value of the remaining equity interest, less the share of the net assets of the original subsidiary calculated on a continuing basis from the date of purchase in proportion to the original shareholding, is recognized as investment income in the period in which control is lost and goodwill is eliminated. Other comprehensive income related to the equity investment in the original subsidiary, etc., is transferred to investment income in the current period when control is lost.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XVIII) Long-term equity instruments (continued)

4. Disposal of long-term equity investment (continued)

If each transaction of the disposal of equity investment in a subsidiary until the loss of control is a package transaction, each transaction is accounted for as a disposal of equity investment in a subsidiary and loss of control, and the relevant accounting treatment is distinguished between individual financial statements and consolidated financial statements:

(1) In the individual financial statements, the difference between the disposal price and the carrying amount of the long-term equity investment corresponding to the equity interest disposed of before the loss of control is recognized as other comprehensive income and transferred to profit or loss in the period in which control is lost.

(2) In the consolidated financial statements, the difference between the disposal price and the share of the net assets of the subsidiary corresponding to the disposed investment for each disposal prior to the loss of control is recognized as other comprehensive income and is transferred to profit or loss in the period in which control is lost when control is lost.

5. Judgment criteria for joint control and significant influence

If the Company collectively controls an arrangement with other participants in accordance with the relevant agreement, and a decision on activities that significantly affect the return of the arrangement exists only when the unanimous consent of the participant's sharing control is required, the arrangement is considered to be a joint venture arrangement when the Company and the other participants jointly control the arrangement.

If a joint venture arrangement is entered into through a separate entity, if the Company is judged to have rights to the net assets of the separate entity based on the relevant agreement, the separate entity is accounted for as a joint venture using the equity method. If it is judged that the Company does not have rights to the net assets of the separate entity based on the relevant agreement, the separate entity is accounted for as a joint venture, and the Company recognizes items related to the share of interest in the joint venture and accounts for them in accordance with the provisions of the relevant ASBEs.

Significant influence means that the investor has the power to participate in decision-making over the financial and operating policies of the investee, but does not control, or jointly control with other parties, the formulation of those policies. The Company determines that it has significant influence over the investee through one or more of the following circumstances, taking into account all facts and circumstances: (1) having representatives on the board of directors or similar authority of the investee; (2) participating in the process of setting financial and operating policies of the investee; (3) having significant transactions with the investee; (4) sending management personnel to the investee; (5) providing the investee unit with key technical information.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XIX) Fixed asset

1. *Recognition of fixed assets*

Fixed assets are tangible assets that are held for the production of goods and services, rental or operation management and have a useful life of more than one fiscal year. A fixed asset is recognized when both of the following conditions are met:

(1) It is probable that the economic benefits associated with the fixed asset will flow to the enterprise.

(2) The cost of the fixed asset can be measured reliably.

2. *Initial measurement of fixed assets*

The Company's fixed assets are initially measured at cost.

(1) The cost of purchased fixed assets includes the purchase price, import duties and other related taxes, and other expenses directly attributable to the fixed assets until they reach their intended useable state.

(2) The cost of self-constructed fixed assets consists of the necessary expenditures incurred before the construction of the asset reaches its intended useable state.

(3) Fixed assets invested by investors shall be recorded at the value agreed in the investment contract or agreement, except that the value agreed in the contract or agreement is not fair, which is recorded at fair value.

(4) Where the purchase price of a fixed asset is deferred beyond normal credit terms and is substantially of a financing nature, the cost of the fixed asset is determined on the basis of the present value of the purchase price. The difference between the actual price paid and the present value of the purchase price is recognized in profit or loss over the credit period, except for those that should be capitalized.

3. *Subsequent measurement and disposal of fixed assets*

(1) Depreciation of fixed assets

Depreciation on fixed assets is provided over their estimated useful lives based on their recorded value less estimated net salvage value. For fixed assets for which accrual for impairment has been made, depreciation is determined in future periods on the basis of the carrying amount net of impairment and based on the remaining useful life; fixed assets that are fully depreciated and continue to be used are not depreciated.

The Company determines the useful lives and estimates net residual values of fixed assets based on the nature and use of fixed assets. At the end of the year, the useful life, estimated net salvage value and depreciation method of fixed assets are reviewed and adjusted accordingly if there is any difference from the original estimate.

(All amounts in RMB'000 unless otherwise stated)

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XIX) Fixed asset (continued)

3. Subsequent measurement and disposal of fixed assets (continued)

(1) Depreciation of fixed assets (continued)

The depreciation methods, depreciable lives and annual depreciation rates of various types of fixed assets are as follows:

Classification	Depreciation method	Year of depreciation (year)	Residual value rate (%)	Annual depreciation rate (%)
House and Building	Straight-line method	10 to 20 years	0	5% to 10%
Machinery equipment	Straight-line method	5 to 10 years	5	9.5% to 19%
Transportation equipment	Straight-line method	4 to 5 years	5	19% to 23.75%
Office and electric equipment	Straight-line method	3 to 5 years	5	19% to 31.67%

(2) Subsequent measurements of fixed assets

Subsequent expenditures related to fixed assets that meet the conditions for recognition of fixed assets are included in the cost of fixed assets; those that do not meet the conditions for recognition of fixed assets are included in the current profit and loss when incurred.

(3) Disposal of fixed assets

A fixed asset is derecognized when it is disposed of or when no economic benefits are expected to arise from its use or disposal. The disposal proceeds from the sale, transfer, scrapping or destruction of fixed assets, net of their book value and related taxes and fees, are recognized in profit or loss for the current period.

(XX) Construction in progress

1. Initial measurement of construction in process

The Company's self-constructed construction in progress is valued at actual cost, which consists of necessary expenditures incurred before the construction of the asset reaches its intended useable state, including the cost of construction materials, labor costs, related taxes and fees paid, borrowing costs to be capitalized and overhead costs to be apportioned, etc.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XX) Construction in progress (continued)

2. Criteria and timing for conversion of construction in progress into fixed asset

Construction-in-progress projects are recorded as fixed assets at the value of all expenditures incurred before the construction of the asset reaches its intended useable state. If the construction in progress has reached its intended useable state but the final account has not yet been completed, the estimated value is transferred to fixed assets based on the budget, cost or actual cost of the project from the date it reaches its intended useable state, and the depreciation of fixed assets is recorded in accordance with the Company's depreciation policy for fixed assets, and after the final account is completed, the original accrued estimated value is adjusted according to the actual cost, but not the original depreciated value. Depreciation amount.

(XXI) Borrowing costs

1. Principles of recognizing capitalization of borrowing costs

Borrowing costs incurred by the Company that are directly attributable to the acquisition or production of assets eligible for capitalization are capitalized and charged to the cost of the related assets; other borrowing costs are recognized as expenses when incurred and charged to current profit or loss in accordance with the amounts incurred.

Assets eligible for capitalization are fixed assets, investment properties and inventories that require a substantial period of time to reach their intended use or saleable condition.

Borrowing costs begin to be capitalized when both of the following conditions are met:

(1) Expenditure on assets has been incurred, which includes expenditure incurred in the form of cash payments, transfers of non-cash assets or the assumption of interest-bearing debt for the acquisition or production of assets eligible for capitalization;

(2) Borrowing costs have been incurred;

(3) The acquisition or production activities necessary to bring the asset to its intended use or saleable condition have begun.

2. Capitalization period of borrowing costs

The capitalization period refers to the period from the point when capitalization of borrowing costs commences to the point when capitalization ceases, excluding the period when capitalization of borrowing costs is suspended.

Borrowing costs cease to be capitalized when the acquisition or production of assets eligible for capitalization reaches its intended use or saleable condition.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXI) Borrowing costs (continued)

2. Capitalization period of borrowing costs (continued)

Borrowing costs cease to be capitalized when a portion of the assets eligible for capitalization is separately completed and available for separate use.

If each part of an asset purchased or produced is completed separately, but must wait until the whole is completed before it can be used or sold to the public, the capitalization of borrowing costs ceases when the asset is completed as a whole

3. Suspension of capitalization period

Borrowing costs are suspended if there is an unusual interruption in the process of acquisition or production of an asset eligible for capitalization and the interruption lasts for more than three consecutive months; if the interruption is necessary to bring the asset eligible for capitalization to its intended useable or marketable condition, the borrowing costs continue to be capitalized. Borrowing costs incurred during the interrupted period are recognized as current profit or loss until the acquisition or production of the asset is restarted and the borrowing costs continue to be capitalized.

4. Calculation of capitalization of borrowing cost

Interest expenses on special borrowings (net of interest income earned on unused borrowed funds deposited in banks or investment income earned on temporary investments) and their ancillary expenses are capitalized until the assets purchased or produced that qualify for capitalization reach their intended use or saleable condition.

The amount of interest to be capitalized on general borrowings is determined by multiplying the weighted-average amount of accumulated asset expenditures in excess of the portion of special borrowings by the capitalization rate of the general borrowings occupied. The capitalization rate is determined based on the weighted-average interest rate on general borrowings.

If there is a discount or premium on borrowings, the amount of discount or premium to be amortized for each accounting period is determined by the effective interest rate method, and the amount of interest is adjusted for each period.

(XXII) Right-of-use assets

The Company initially measures right-of-use assets at cost, which consists of:

1. the amount of the initial measurement of the lease liability;

2. the amount of lease payments made on or before the commencement date of the lease term, net of amounts related to lease incentives taken, if any, exist;

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXII) Right-of-use assets (continued)

3. the initial direct costs incurred by the Company;

4. costs expected to be incurred by the Company to disassemble and remove the leased asset, restore the site where the leased asset is located, or restore the leased asset to the condition agreed upon under the terms of the lease (excluding costs incurred to produce inventory);

Subsequent to the commencement date of the lease term, the Company uses the cost model for subsequent measurement of right-of-use assets.

Where it is reasonably certain that ownership of the leased asset will be obtained at the end of the lease term, the Company provides depreciation over the remaining useful life of the leased asset. If it is not reasonably certain that ownership of the leased asset can be obtained at the end of the lease term, the Company depreciates the asset over the shorter of the lease term and the remaining useful life of the leased asset. Right-of-use assets for which impairment has been made are depreciated in future periods at their carrying amounts net of impairment, with reference to the above principles

(XXIII) Intangible assets

Intangible assets are identifiable non-monetary assets without physical form owned or controlled by the Company, including land use rights, trademark use rights, outsourced software.

1. Initial measurement of intangible assets

The cost of an externally acquired intangible asset includes the purchase price, related taxes and other expenses directly attributable to bringing the asset to its intended use. Where the purchase price of an intangible asset is deferred beyond normal credit terms and is substantially of a financing nature, the cost of the intangible asset is determined on the basis of the present value of the purchase price.

When a debt restructuring acquires an intangible asset used to offset a debt, the fair value of the intangible asset is used to determine its recorded value, and the difference between the carrying amount of the restructured debt and the fair value of the intangible asset used to offset the debt is recognized in profit or loss for the current period.

Provided that the exchange of non-monetary assets has commercial substance and the fair value of the asset being exchanged or the asset being exchanged can be measured reliably, the recorded value of the intangible asset acquired in exchange for non-monetary assets is determined on the basis of the fair value of the asset being exchanged, unless there is conclusive evidence that the fair value of the asset being exchanged is more reliable; for non-monetary asset exchanges that do not meet the above prerequisites, the carrying amount of the asset being exchanged and the related tax payable are used as the basis for determining the recorded value of the asset being exchanged. In the case of a non-monetary asset exchange that does not meet the above prerequisites, the carrying amount of the asset to be exchanged and the related taxes and fees to be paid are recognized as the cost of the intangible asset, and no gain or loss is recognized.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXIII) Intangible assets (continued)

1. Initial measurement of intangible assets (continued)

Intangible assets acquired by way of absorption and consolidation of enterprises under common control are recorded at the carrying value of the party being consolidated; intangible assets acquired by way of absorption and consolidation of enterprises not under common control are recorded at fair value.

The cost of an intangible asset developed internally includes materials used in developing the intangible asset, labor costs, registration fees, amortization of other patents and licenses used in the development process and interest costs that satisfy the conditions for capitalization, and other direct costs incurred to bring the intangible asset to its intended use.

2. Subsequent measurement of intangible assets

The Company analyzes and determines the useful life of intangible assets at the time of acquisition and classifies them into those with finite useful lives and those with indefinite useful lives.

(1) Intangible assets with limited useful life

Intangible assets with finite useful lives are amortized on a straight-line basis over the period that they provide economic benefits to the Company. The estimated useful lives of intangible assets with finite useful lives and the bases are as follows:

Item	Estimated useful life	Basis
Land use rights	50 years	Land transfer agreement of the Ministry of Land and Resources
Trademark	8 to 10 years	Benefit period
Purchased software	2 to 10 years	Benefit period

At the end of each period, the useful lives and amortization methods of intangible assets with finite useful lives are reviewed and adjusted accordingly if they differ from the original estimates.

After the review, the useful lives and amortization methods of intangible assets at the end of the period were not different from the previous estimates.

(2) Intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives are considered to be those with indefinite useful lives if it is not foreseeable that the intangible assets will provide economic benefits to the enterprise.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXIII) Intangible assets (continued)

2. Subsequent measurement of intangible assets (continued)

(2) Intangible assets with indefinite useful lives (continued)

Intangible assets with indefinite useful lives are not amortized during the holding period, and the lives of intangible assets are reviewed at the end of each period. If they are still indefinite after re-review at the end of the period, they continue to be tested for impairment in each accounting period.

After the review, the useful life of such intangible assets is still indefinite

(XXIV) Impairment of long-term assets

The Company determines at the balance sheet date whether there is an indication that a long-lived asset may be impaired. If there is an indication that a long-lived asset is impaired, the recoverable amount of the asset is estimated on an individual asset basis; if it is difficult to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group is determined on the basis of the asset group to which the asset belongs:

The recoverable amount of an asset is estimated based on the higher of its fair value less costs of disposal and the present value of the asset's estimated future cash flows.

If the recoverable amount measurement indicates that the recoverable amount of a long-lived asset is less than book value, the carrying amount of the long-lived asset is written down to its recoverable amount, and the amount written down is recognized as an asset impairment loss and recognized in profit or loss, with a corresponding asset impairment. Once an asset impairment loss is recognized, it cannot be reversed in subsequent accounting periods.

After an asset impairment loss is recognized, the depreciation or amortization expense of the impaired asset is adjusted accordingly in future periods so that the adjusted carrying amount of the asset (net of estimated net salvage value) is apportioned systematically over the remaining useful life of the asset.

Goodwill and intangible assets with indefinite useful lives resulting from business combinations are tested annually for impairment, regardless of whether there is any indication of impairment.

When goodwill is tested for impairment, the carrying amount of goodwill is apportioned to the asset group or combination of asset groups that are expected to benefit from the synergies of the business combination. When testing for impairment of the relevant asset group or combination of asset groups containing goodwill, if there is an indication of impairment of the asset group or combination of asset groups related to goodwill, the asset group or combination of asset groups not containing goodwill is first tested for impairment, and the recoverable amount is calculated and compared with the relevant carrying amount, and a corresponding impairment loss is recognized. The impairment test is then performed on the asset group or combination of asset groups containing goodwill, and the carrying amount of these related asset groups or combination of asset groups (including the portion of the carrying amount of goodwill apportioned) is compared with their recoverable amounts, and if the recoverable amount of the related asset group or combination of asset groups is lower than their carrying amounts, an impairment loss on goodwill is recognized.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXV) Long-term prepaid expenses

1. Amortization method

Long-term amortization refers to all expenses that have been incurred but should be borne by the Company in the current and future periods and are apportioned over a period of more than one year. Long-term amortization is amortized on a straight-line basis over the benefit period.

2. Amortization period

Categories	Amortization periods	Notes
Improvement of fixed assets under operating lease	2 to 5 years	Benefit period

(XXVI) Contract liabilities

The Company recognizes the portion of the obligation to transfer goods to customers for which consideration has been received or receivable from customers as a contract liability.

(XXVII) Employee benefits

Employee compensation refers to various forms of remuneration or compensation given by the Company for services rendered by employees or for the termination of employment relationships. Employee compensation includes short-term compensation, post-employment benefits, severance benefits and other long-term employee benefits.

1. Short-term employee benefits

Short-term compensation is defined as employee compensation, excluding post-employment benefits and termination benefits, that is payable in full within twelve months after the end of the annual reporting period in which the employees render the related services. The Company recognizes short-term compensation payable as a liability in the accounting period in which the employee provides services and includes it in the cost of related assets and expenses according to the beneficiary of the services provided by the employee.

2. Post-employment benefits

Post-employment benefits are all forms of compensation and benefits, except short-term compensation and termination benefits, provided by the Company to obtain services rendered by employees after their retirement or termination of employment with the Company.

The Company's post-employment benefit plan is defined contribution plan.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXVII) Employee benefits (continued)

2. Post-employment benefits (continued)

The defined contribution plans for post-employment benefits are mainly for participation in basic social pension insurance and unemployment insurance organized and implemented by local labor and social security agencies. During the accounting period in which the employees provide services to the Company, the amount of contributions payable under the defined contribution plan is recognized as a liability and recognized in current profit or loss or the cost of related assets.

After the Company makes regular contributions to these amounts in accordance with national standards and the annuity plan, it has no further payment obligations.

3. Termination benefits

Termination benefits are compensation given by the Company to employees for the termination of their employment relationship prior to the expiration of their employment contracts or to encourage employees to voluntarily accept redundancy. A liability is recognized for compensation given for the termination of the employment relationship with employees when the Company cannot unilaterally withdraw the termination plan or the proposed redundancy and at the earlier of the recognition of costs associated with the restructuring involving the payment of termination benefits The Company recognizes the liability arising from the termination of the employment relationship with the employee, which is simultaneously recognized in profit or loss.

(XXVIII) Estimated liabilities

1. Criteria for recognition of a contingent liability

The Company recognizes a estimated liability when the obligation associated with a contingency meets both of the following conditions.

The obligation is a present obligation to be assumed by the Company.

It is probable that the performance of the obligation will result in an outflow of economic benefits to the Company.

The amount of the obligation can be measured reliably.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXVIII) Estimated liabilities (continued)

2. *Measurement of estimated liabilities*

The Company's estimated liabilities are initially measured at the best estimate of the expenditure required to satisfy the related present obligation.

In determining the best estimate, the Company considers the risks associated with the contingencies, uncertainties, and the time value of money. For those with a significant impact on the time value of money, the best estimate is determined by discounting the related future cash outflows.

The best estimates are treated separately as follows:

Where a continuous range (or interval) of required expenditures exists and it is equally probable that various outcomes will occur within that range, the best estimate is determined as the average of the middle of the range, i.e., the upper and lower amounts.

If there is no continuous range (or interval) of expenditures, or if there is a continuous range but the probabilities of various outcomes within the range are different, the best estimate is determined as the most probable amount if the contingency relates to a single item; if the contingency relates to multiple items, the best estimate is determined based on various probable outcomes and related probabilities.

If all or part of the expenditures required to settle the estimated liability are expected to be reimbursed by a third party, the amount of reimbursement is recognized separately as an asset when it is substantially certain that it will be received, and the amount of reimbursement recognized does not exceed the carrying amount of the estimated liability.

(XXIX) Lease liabilities

The Company initially measures the lease liability at the present value of the lease payments outstanding at the commencement date of the lease term. In calculating the present value of the lease payments, the Company uses the interest rate embedded in the lease as the discount rate; if the interest rate embedded in the lease cannot be determined, the Company's incremental borrowing rate is used as the discount rate. The lease payment amount includes:

1. fixed payments after deducting amounts related to lease incentives and material fixed payments;

2. variable lease payments that depend on an index or rate;

3. lease payments that include the exercise price of the purchase option if the Company is reasonably certain that the option will be exercised;

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXIX) Lease liabilities (continued)

4. where the lease term reflects that the Company will exercise the option to terminate the lease, the lease payment amount includes the amount required to be paid to exercise the option to terminate the lease;

5. the amount expected to be paid based on the residual value of the guarantee provided by the Company.

The Company calculates the interest expense on the lease liability for each period of the lease term at a fixed discount rate and includes it in the current profit or loss or cost of the related assets.

Variable lease payments that are not included in the measurement of the lease liability should be charged to current profit or loss or the cost of the related assets when they are actually incurred.

(XXX) Share-based payments

1. Classification of share-based payments

The Company's share-based payments are divided into equity-settled share-based payments and cash-settled share-based payments.

2. Determination of fair value of equity instruments

For equity instruments such as options granted for which there is an active market, the fair value is determined based on quoted prices in the active market. For equity instruments such as options granted for which no active market exists, the fair value is determined using an option pricing model, etc. The option pricing model selected considers the following factors: (1) the exercise price of the option; (2) the term of the option; (3) the prevailing price of the underlying shares; (4) the expected volatility of the share price; (5) the expected dividends on the shares; and (6) the risk-free interest rate during the term of the option.

In determining the fair value of equity instruments on the grant date, the effect of market conditions and non-viable conditions in the viability conditions specified in the share-based payment agreements are considered. If non-viable conditions exist for share-based payments, the cost expense corresponding to the services received is recognized as long as the employee or other parties satisfy all the non-market conditions of the viable conditions (such as the service period, etc.).

3. Basis for recognizing the best estimate on equity instruments expected to vest

At each balance sheet date during the waiting period, the number of equity instruments expected to be feasible is revised based on the best estimate based on the latest available subsequent information such as changes in the number of feasible employees. The final estimated number of exercisable equity instruments at the date of exercise corresponds to the actual number of exercisable equity instruments.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXX) Share-based payments (continued)

4. *Accounting treatment method*

Equity-settled share-based payments are measured at the fair value of the equity instruments granted to employees. If an equity instrument is exercisable immediately after the grant, it is recorded at the fair value of the equity instrument at the date of grant at the relevant cost or expense, with a corresponding increase in capital surplus. If the rights are not exercisable until the completion of the service within the waiting period or when the specified performance conditions are met, the services acquired during the period are recognized in the relevant cost or expense and capital surplus at each balance sheet date within the waiting period, based on the best estimate of the number of exercisable equity instruments and at the fair value of the equity instruments at the date of grant. No adjustment is made to the related costs or expenses and total owners' equity recognized after the exercise date.

Share-based payments settled in cash are measured at the fair value of the liabilities assumed by the Company that are determined on the basis of shares or other equity instruments. If the right is exercisable immediately after the grant, the liability is increased accordingly by the fair value of the liability assumed by the Company at the date of grant to the relevant cost or expense. For cash-settled share-based payments that become exercisable after the completion of the services within the waiting period or after the fulfillment of specified performance conditions, the services acquired during the period are recorded at cost or expense and a corresponding liability at each balance sheet date within the waiting period, based on the best estimate of the circumstances under which they will become exercisable and the amount of the fair value of the liability assumed by the Company. At each balance sheet date prior to settlement of the related liability and at the settlement date, the fair value of the liability is remeasured, and the change is recognized in profit or loss for the period.

If an equity instrument granted is cancelled during the waiting period, the Company treats the cancellation of the equity instrument granted as an accelerated exercise and recognizes the amount to be recognized over the remaining waiting period immediately in profit or loss, together with capital surplus. If employees or other parties are able to elect to satisfy the non-viable option condition but fail to do so during the waiting period, the Company treats the cancellation as a cancellation of the equity instruments granted.

(XXXI) Revenue

The Company's revenues are derived from the following business types.

(1) retail sales

(2) Wholesale sales

(3) Brand-integrated services

(4) Property leasing

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXI) Revenue (continued)

1. *General principles of revenue recognition*

The Company recognizes revenue based on the transaction price apportioned to that performance obligation when the Company has satisfied the performance obligation in the contract, i.e., when the customer obtains control of the relevant goods or services.

A performance obligation is a contractual commitment by the Company to transfer clearly distinguishable goods or services to a customer.

The acquisition of control of the relevant goods is the ability to dominate the use of the goods and derive substantially all of the economic benefits therefrom.

The Company evaluates the contract as of the contract commencement date, identifies each individual performance obligation contained in that contract, and determines whether each individual performance obligation is to be performed within a certain period of time or at a certain point in time. If one of the following conditions is met, the performance obligation is performed within a certain period of time, and the Company recognizes revenue over a period of time in accordance with the progress of performance: (1) the customer obtains and consumes the economic benefits resulting from the Company's performance at the same time as the Company's performance; (2) the customer is able to control the goods under construction during the Company's performance; (3) the goods produced during the Company's performance have irreplaceable uses and the Company is entitled to receive payment for the cumulative portion of performance completed to date throughout the contract period. Otherwise, the Company recognizes revenue at the point at which the customer obtains control of the relevant goods or services.

The Company uses the output method/input method to determine the appropriate schedule of performance for performance obligations to be performed within a given time period, depending on the nature of the goods and services. The output method determines the progress of performance based on the value to the customer of the goods that have been transferred to the customer (the input method determines the progress of performance based on the Company's inputs to satisfy the performance obligation). When the progress of performance cannot be reasonably determined, the company recognizes revenue in the amount of costs already incurred until the progress of performance can be reasonably determined, if the costs already incurred are expected to be reimbursed.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXI) Revenue (continued)

2. *Specific methods of revenue recognition*

Retail: The Company sells directly to customers at retail, which is a performance obligation to be fulfilled at a point in time and recognizes revenue when the customer has purchased the product, has received the price or acquired the right to receive payment, and it is probable that the related economic benefits will flow.

Wholesale sales: The Company sells goods to franchisees in various locations. The Company recognizes revenue when the merchandise is shipped or accepted by the franchisee. The Company provides sales discounts to franchisees based on sales volume. The Company determines the amount of discounts based on the expected value method based on historical experience, and recognizes revenue based on the net amount of the contract consideration less the expected discount amount.

Brand-integrated services: The brand-integrated services business is a business in which the Company provides customers with the right to use each brand and receives brand licensing royalties. Revenue from brand licensing is recognized over the agreed usage period of each brand, apportioned over the period.

Property leasing: The Company recognizes revenue on a straight-line basis over the lease term as agreed in the lease contract.

3. *Accounting treatment principle on the revenue of specific transactions*

(1) *Contracts with sales return clause*

Revenue is recognized at the amount of consideration expected to be received for the transfer of goods to the customer (i.e., excluding the amount expected to be returned as a result of the sale) when the customer obtains control of the goods, and a liability is recognized at the amount expected to be returned as a result of the sale.

The balance of the book value of merchandise expected to be returned upon sale, net of the costs expected to be incurred to recover the merchandise (including impairment of the value of the returned merchandise), is accounted for under "cost of returned merchandise".

(2) *Reward points program*

The Company will grant customers reward points with the sale of merchandise, which they can redeem for free or discounted merchandise provided by the Company. This reward point program provides a significant right to the customer, which the Company treats as a single performance obligation, apportions a portion of the transaction price to the reward points in the relative proportion of the individual selling price of the merchandise offered and the reward points, and recognizes revenue when the customer obtains control of the merchandise for which the points are redeemed or when the points lapse.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXI) Revenue (continued)

3. *Accounting treatment principle on the revenue of specific transactions (continued)*

(3) *Primary responsible/agent*

For the Company's retail model in a department store counter, the Company is able to control the merchandise before transferring it to the customer, and therefore the Company is the primary responsible party and recognizes revenue based on the total consideration received or receivable.

(XXXII) Contract costs

1. *Contract performance costs*

The Company recognizes as an asset the cost incurred to perform a contract that does not fall within the scope of other ASBEs other than the revenue standard and that also meets the following conditions as contract performance costs

(1) The cost is directly related to a current or expected contract to be obtained, including direct labor, direct materials, manufacturing costs (or similar costs), costs explicitly borne by the customer, and other costs incurred solely in connection with that contract.

(2) The cost increases the resources available to the business to meet future performance obligations.

(3) The cost is expected to be recovered.

The asset is reported in inventories or other noncurrent assets based on whether its amortization period at initial recognition exceeds one normal operating cycle.

2. *Contract acquisition costs*

Incremental costs incurred by the Company to acquire a contract that are expected to be recovered are recognized as an asset as contract acquisition costs. Incremental costs are costs that would not have been incurred had the Company not acquired the contract, such as sales commissions. For amortization periods not exceeding one year, they are recognized in profit or loss as incurred.

3. *Amortization of contract costs*

The above assets related to contract costs are amortized to current profit or loss using the same basis as revenue recognition for goods or services related to the asset, either at the point of performance of the performance obligation or in accordance with the progress of performance of the performance obligation.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXII) Contract costs (continued)

4. Impairment of contract costs

If the carrying value of the above assets related to contract costs is higher than the difference between the remaining consideration expected to be received by the Company for the transfer of the commodity related to the asset and the estimated costs to be incurred for the transfer of the related commodity, the excess should be provided for impairment and recognized as an asset impairment loss.

After the accrual for impairment is made, if there is a change in the factors for impairment in previous periods, such that the above two differences are higher than the carrying amount of the asset, the original impairment is reversed and recognized in profit or loss, provided that the carrying amount of the asset after the reversal does not exceed the carrying amount of the asset at the date of reversal assuming no impairment is made.

(XXXIII) Government grants

1. Classification

Government grants, which are monetary and non-monetary assets acquired by the Company from the government without consideration. Government grants are classified as asset-related government grants and revenue-related government grants according to the grant objects specified in the relevant government documents.

For government grants for which the government documents do not specify the grant objects, the Company classifies them as asset-related government grants or revenue-related government grants according to the actual grant objects, and the related judgment bases are described in Note V/(XXIX) "Other non-current liabilities"/(XLI) "Other income" of these financial statements.

Government grants related to assets are government grants acquired by the Company for the acquisition and construction or other formation of long-term assets. Government grants related to revenue are government grants other than those related to assets.

2. Recognition of government grants

Government grants are recognized at the amount receivable if there is evidence that the company can meet the relevant conditions set forth in the financial support policy at the end of the period and the company expects to receive the financial support funds. Other than that, government grants are recognized when they are actually received.

Government grants are measured at the amount received or receivable if they are monetary assets. Government grants that are non-monetary assets are measured at fair value; if the fair value cannot be reliably obtained, they are measured at a nominal amount (RMB1). Government grants measured at nominal amount are directly recognized in current profit or loss.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXIII) Government grants (continued)

3. Accounting method

The Company determines whether a particular type of government grant operation should be accounted for using the gross method or the net method based on the substance of the economic operation. Normally, the Company selects only one method for the same type or similar government grant operations and applies the method consistently to such operations.

Government grants related to assets should be written down to the carrying amount of the related assets or recognized as deferred income. Government grants related to assets that are recognized as deferred income are recognized in profit or loss over the useful life of the assets constructed or purchased in accordance with a reasonable and systematic method.

Government grants related to income, which are used to compensate the enterprise for relevant expenses or losses in subsequent periods, are recognized as deferred income and charged to current profit or loss or reduced to relevant costs in the period in which the relevant expenses or losses are recognized; if they are used to compensate the enterprise for relevant expenses or losses already incurred, they are directly charged to current profit or loss or reduced to relevant costs when acquired.

Government subsidies related to the daily activities of the enterprise are included in other income or reduced by related costs and expenses; government subsidies not related to the daily activities of the enterprise are included in non-operating income and expenses.

Government subsidies received in connection with policy-based preferential interest rate loans are reduced by the related borrowing costs; if a policy-based preferential interest rate loan is obtained from a lending bank, the actual amount of the loan received is used as the recorded value of the loan, and the related borrowing costs are calculated based on the principal amount of the loan and the policy-based preferential interest rate.

When recognized government subsidies need to be returned, the carrying value of the assets is adjusted if the carrying value of the relevant assets is reduced upon initial recognition; if there is a balance of relevant deferred income, the carrying value of the relevant deferred income is reduced and the excess is recognized in profit or loss for the period; if there is no relevant deferred income, it is recognized.

(XXXIV) Deferred tax assets and deferred tax liabilities

Deferred income tax assets and deferred income tax liabilities are recognized based on the difference between the tax bases of assets and liabilities and their carrying amounts (temporary differences). At the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply in the period when the asset is recovered, or the liability is settled.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXIV) Deferred tax assets and deferred tax liabilities (continued)

1. *Criteria for recognition of deferred income tax assets*

The Company recognizes deferred income tax assets arising from deductible temporary differences to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilized and taxable losses and tax credits can be carried forward to future years. However, deferred income tax assets arising from the initial recognition of assets or liabilities are not recognized if the transaction has the following characteristics: (1) the transaction is not a business combination; (2) the transaction neither affects accounting profit nor taxable income or deductible losses when it occurs.

For deductible temporary differences associated with investments in associates, deferred tax assets are recognized if the following conditions are met, it is probable that the temporary differences will reverse in the foreseeable future, and it is probable that taxable income will be available against which the deductible temporary differences can be utilized in the future.

2. *Criteria for recognition of deferred income tax liabilities*

The Company recognizes deferred income tax liabilities for unpaid taxable temporary differences between the current and prior periods. However, they do not include:

(1) Temporary differences arising from the initial recognition of goodwill.

(2) Temporary differences arising from transactions or events not resulting from business combinations and which, when they occur, affect neither accounting profit nor taxable income (or deductible losses).

(3) For taxable temporary differences associated with investments in subsidiaries or associates, the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

3. *Deferred income tax assets and deferred income tax liabilities are presented on a net basis after offsetting when the following conditions are met*

(1) The enterprise has the legal right to settle current income tax assets and current income tax liabilities on a net basis.

(2) Deferred income tax assets and deferred income tax liabilities relate to income taxes levied by the same tax authority on the same taxable entity or to different taxable entities, but in each future period in which the deferred income tax assets and deferred income tax liabilities are materially reversed, the taxable entities involved intend to settle the current income tax assets and current income tax liabilities on a net basis or acquire the assets and The taxable entity intends to settle current income tax assets and current income tax liabilities with net amount or acquire assets and settle liabilities simultaneously.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXV) Lease

At the inception date of the contract, the Company assesses whether the contract is a lease or contains a lease. A contract is a lease or contains a lease if one party to the contract cedes the right to control the use of one or more identified assets for a specified period of time in exchange for consideration.

1. *Splitting of leased and non-leased portions*

If the contract contains both lease and non-lease parts, the Company, as the lessor, will split the lease and non-lease parts for accounting purposes; when the Company is the lessee, the leased assets will not be split, and each lease part and its related non-lease parts will be separately combined as a lease for accounting purposes.

2. *Consolidation of lease contracts*

Two or more contracts containing leases entered into by the Company and the same counterparty or its related parties at the same or similar times are combined into one contract for accounting purposes when one of the following conditions is met:

(1) The two or more contracts are entered into based on an overall business purpose and constitute a package transaction, the overall business purpose of which cannot be understood if not considered as a whole.

(2) The amount of consideration for one of the two or more contracts depends on the pricing or performance of the other contracts

(3) The rights to use the assets transferred by the two or more contracts, taken together, constitute a separate lease

3. *Accounting treatment of the Company as a lessee*

At the commencement date of the lease term, the Company recognizes right-of-use assets and lease liabilities for leases, except for short-term leases and low-value asset leases to which simplified treatment is applied.

(1) Short-term leases and leases of low-value assets

Short-term leases are leases that do not contain purchase options and have a lease term of not more than 12 months. Low-value asset leases are leases with a lower value when the individual leased asset is a brand-new asset.

The Company recognizes right-of-use assets and lease liabilities for leases other than short-term leases and leases of low-value assets.

(2) The accounting policies for right-of-use assets and lease liabilities are detailed in Note IV/(XXII) and (XXIX).

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXV) Lease (continued)

4. *Accounting treatment of the Company as a lessor*

(1) *Classification of leases*

The Company classifies leases as finance leases and operating leases at the commencement date of the lease. A finance lease is a lease that transfers substantially all the risks and rewards associated with the ownership of the leased asset, and the ownership of which may or may not be transferred eventually. Operating leases refer to leases other than finance leases.

A lease is usually classified as a finance lease by the Company if one or more of the following circumstances exist.

1) At the expiration of the lease term, ownership of the leased asset is transferred to the lessee.

2) The lessee has an option to purchase the leased asset and the purchase price entered into is sufficiently low compared with the fair value of the leased asset at the time the option is expected to be exercised so that it is reasonably certain that the lessee will exercise the option at the inception date of the lease.

3) Although ownership of the asset does not pass, the lease term represents the majority of the useful life of the leased asset.

4) At the lease commencement date, the present value of the lease receipt amount is almost equal to the fair value of the leased asset.

5) The leased asset is special in nature and can only be used by the lessee if no major alterations are made.

A lease may also be classified as a finance lease by the Company if one or more of the following indications exist.

1) If the lessee revokes the lease, the loss to the lessor caused by the revocation is borne by the lessee.

2) Gains or losses arising from fluctuations in the fair value of the residual value of the asset are attributed to the lessee.

3) The lessee has the ability to continue the lease to the next period at a rent much lower than the market level.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXV) Lease (continued)

4. *Accounting treatment of the Company as a lessor (continued)*

(2) *Accounting for finance leases*

At the commencement date of the lease term, the Company recognizes finance lease receivables for finance leases and derecognizes finance lease assets.

When the finance lease receivable is initially measured, the sum of the unguaranteed residual value and the present value of the amount of lease receipts not yet received at the commencement date of the lease term discounted at the interest rate embedded in the lease is used as the recorded value of the finance lease receivable. The amount of lease receipts includes:

1) fixed payments net of amounts related to lease incentives and material fixed payments;

2) variable lease payments that depend on an index or rate;

3) the amount of lease receipts including the exercise price of the purchase option if it is reasonably certain that the lessee will exercise the purchase option;

4) where the lease term reflects that the lessee will exercise the option to terminate the lease, the lease receipt amount includes the amount to be paid by the lessee to exercise the option to terminate the lease;

5) The residual value of the guarantee provided to the lessor by the lessee, a party related to the lessee, and an independent third party with the financial ability to meet the guarantee obligation.

The Company calculates and recognizes interest income for each period of the lease term at a fixed interest rate embedded in the lease. Variable lease payments acquired that are not included in the net lease investment measurement are recognized in profit or loss when they are actually incurred.

(3) *Accounting for operating leases*

The Company recognizes lease receipts from operating leases as rental income using the straight-line method or other systematic and reasonable method in each period of the lease term; the initial direct costs incurred in connection with operating leases are capitalized and amortized over the lease term on the same basis as rental income is recognized, and are recognized in profit or loss in the current period; variable lease payments acquired in connection with operating leases that are not included in the lease receipts are recognized in profit or loss in the current period when they are actually incurred..

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXVI) Termination of business

The Company recognizes a discontinued operation component as a separately distinguishable component if one of the following conditions is met and the component has been disposed of or classified as held for sale.

(1) The component represents a separate major business or a separate major operating area.

(2) The component is part of an associated plan to dispose of a separate major business or a separate major area of operation.

(3) The component is a subsidiary acquired exclusively for resale.

Gains or losses from operations such as impairment losses and reversals of amounts from discontinued operations and gains or losses on disposals are presented in the income statement as gains or losses from discontinued operations.

(XXXVII) Repurchase of the Company's shares

Consideration and transaction costs paid by the Company to repurchase its own equity instruments reduce shareholders' equity. Issuance (including refinancing), repurchase, sale or cancellation of own equity instruments, other than share-based payments, are treated as changes in equity

(XXXVIII) Distribution of profits

The Company's cash dividends are recognized as a liability upon approval by the shareholders' meeting.

(XXXIX) Fair value measurement

The Company measures other investments in equity instruments, other noncurrent financial assets, and trading financial assets at fair value at each balance sheet date. Fair value, which is the price that a market participant would receive to sell an asset or pay to transfer a liability in an orderly transaction that occurs on the measurement date. The Company measures the relevant asset or liability at fair value assuming that the orderly transaction to sell the asset or transfer the liability takes place in the principal market for the relevant asset or liability; if no principal market exists, the Company assumes that the transaction takes place in the most advantageous market for the relevant asset or liability. The principal market (or most advantageous market) is the market for the transaction to which the Company has access at the measurement date. The Company uses the assumptions used by market participants in pricing the asset or liability to maximize their economic benefits.

Where a non-financial asset is measured at fair value, consideration is given to the ability of the market participant to generate economic benefits from the use of the asset for its best use or to generate economic benefits from the sale of the asset to other market participants who are able to use it for its best use.

The Company uses valuation techniques that are applicable in the current circumstances and supported by sufficient available data and other information, giving preference to relevant observable inputs and using unobservable inputs only when observable inputs are unavailable or impracticable to obtain.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XL) Significant accounting judgments and estimates

Assets and liabilities that are measured or disclosed at fair value in the financial statements are identified within the fair value hierarchy based on the lowest level of inputs that are significant to the fair value measurement as a whole: Level 1 inputs, unadjusted quoted prices in active markets for identical assets or liabilities that are available at the measurement date; Level 2 inputs, inputs other than Level 1 inputs that are directly or indirectly observable for the related assets or liabilities; and Level 3 inputs, unobservable inputs for the related assets or liabilities. Level 2 inputs are inputs other than Level 1 inputs that are observable for the relevant asset or liability; and Level 3 inputs are unobservable inputs for the relevant asset or liability.

At each balance sheet date, the Company reassesses the assets and liabilities recognized in the financial statements that are measured at fair value on an ongoing basis to determine whether a transition between levels of the fair value measurement hierarchy has occurred.

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and their disclosures, as well as the disclosure of contingent liabilities at the balance sheet date. Uncertainties in these assumptions and estimates in the process of applying the Company's accounting policies, management has made the following that have a significant effect on the amounts recognized in the financial statements.

1. *Judgments*

In the process of applying the Company's accounting policies, management has made the following judgments that have a significant effect on the amounts recognized in the financial statements.

(1) *Business model*

The classification of financial assets at initial recognition depends on the Company's business model for managing financial assets. In making judgments about the business model, the Company considers, among other things, the manner in which the enterprise evaluates and reports the performance of financial assets to key management personnel, the risks affecting the performance of financial assets and the manner in which they are managed, and the manner in which the relevant business management personnel are compensated. In evaluating whether the objective is to collect contractual cash flows, the Company is required to analyze and judge the reasons, timing, frequency and value of sales of financial assets before their maturity dates.

(2) *Contractual cash flow characteristics*

The classification of a financial asset at initial recognition depends on the contractual cash flow characteristics of the financial asset, and the Company is required to determine whether the contractual cash flows are only payments of principal and interest based on the principal outstanding, and whether they are significantly different from the benchmark cash flows, etc., when evaluating revisions to the time value of money.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XL) Significant accounting judgments and estimates (continued)

1. Judgments (continued)

(3) Lease term – Lease contracts that include renewal options

The lease term is the period during which the Company has the right to use the leased assets and is irrevocable. If there is an option to renew the lease and it is reasonably certain that the option will be exercised, the lease term also includes the period covered by the option to renew the lease. Some of the Company's leases have renewal options. In assessing whether it is reasonably certain that the renewal option will be exercised, the Company considers all relevant facts and circumstances relating to the economic benefits resulting from the Company's exercise of the renewal option, including anticipated changes in facts and circumstances between the commencement of the lease term and the date of exercise of the option. The Company believes that the lease term includes the period covered by the renewal option because it is reasonably certain that the Company will exercise the renewal option due to the conditions associated with the exercise of the option and the probability of satisfying the relevant conditions.

(4) Deferred income tax assets

Deferred tax assets should be recognized for all unused deductible losses to the extent that it is probable that sufficient taxable income will be available to offset the deductible losses. This requires management to use significant judgment to estimate the timing and amount of future taxable income, combined with tax planning strategies, to determine the amount of deferred tax assets to be recognized.

2. Estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that could result in significant adjustments to the carrying amounts of assets and liabilities in future accounting periods.

(1) Impairment of financial instruments

The Company uses the expected credit loss model to assess the impairment of financial instruments. The application of the expected credit loss model requires significant judgments and estimates, taking into account all reasonable and substantiated information, including forward-looking information. In making these judgments and estimates, the Company inferred expected changes in debtors' credit risk based on historical repayment data combined with economic policies, macroeconomic indicators, industry risks and other factors. Different estimates may affect the impairment, and the impairment made may not equal the actual amount of future impairment losses.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XL) Significant accounting judgments and estimates (continued)

2. *Estimation uncertainty (continued)*

(2) *Impairment of goodwill*

The Company tests goodwill for impairment at least annually. This requires an estimate of the present value of future cash flows of the asset group or combination of asset groups to which goodwill has been allocated. When estimating the present value of future cash flows, the Company is required to anticipate the future cash flows generated by the asset group or combination of asset groups, and at the same time select an appropriate discount rate to determine the present value of future cash flow.

(3) *The fair value of an unlisted equity investment*

The valuation of unlisted equity investments is based on the expected future cash flows discounted at the current discount rate for other financial instruments with similar contractual terms and risk characteristics. This requires the Company to estimate the expected future cash flows, credit risk, volatility and discount rate, and is therefore subject to uncertainty.

(4) *Sales return*

The Company uses a sales return policy for sales customers and estimates the amount of sales returns at the balance sheet date based on agreements related to sales agreements, historical experience, etc.

(5) *Impairment of inventories*

In accordance with the Company's inventory accounting policy, inventories are measured at the lower of cost or net realizable value, and a inventory write-downs is made for inventories whose cost is higher than net realizable value and for obsolete and slow-moving inventories. The impairment of inventories to net realizable value is based on an assessment of the marketability of inventories and their net realizable value. The identification of inventory impairment requires management to make judgments and estimates based on obtaining conclusive evidence and considering factors such as the purpose for which the inventory is held and the impact of post-balance sheet events. Differences between actual results and original estimates will affect the carrying value of inventories and the impairment or reversal of inventories in the period in which the estimates are changed.

(6) *Estimated useful lives and estimated net residual values of property, plant and equipment, intangible assets and long-term amortization (improvements to property, plant and equipment leased from operations)*

The estimated useful lives and estimated net salvage values of the Company's property, plant and equipment, intangible assets and long-term amortization (operating leasehold improvements) are based on the actual useful lives of property, plant and equipment, intangible assets and long-term amortization (operating leasehold improvements) of similar nature and function in the past and are estimated based on historical experience. If the useful lives of such assets are shortened or the estimated net salvage value is reduced, the Company will increase the depreciation and amortization rate, obsolete or technically renew such assets.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XL) Significant accounting judgments and estimates (continued)

2. Estimation uncertainty (continued)

(7) Interest rate on lessee's incremental borrowings

For leases where the interest rate embedded in the lease cannot be determined, the Company uses the lessee's incremental borrowing rate as the discount rate to calculate the present value of the lease payments. In determining the incremental borrowing rate, the Company uses the observable interest rate as the reference basis for determining the incremental borrowing rate in accordance with the economic environment in which it operates. On this basis, the reference rate is adjusted to arrive at the applicable incremental borrowing rate in accordance with its own circumstances, the condition of the subject asset, the lease term and the amount of the lease liability and other specific circumstances of the leasing business.

(8) Long-term impairment losses

The Company performs impairment tests on each asset for which there is an indication of impairment at the balance sheet date. The recoverable amounts of assets and asset groups are determined based on value-in-use calculations, which require the use of certain assumptions and estimates.

The assessment of whether an asset is impaired requires management's estimates of (I) whether there is an indication that the value of the asset may not be recoverable; (II) whether the recoverable amount (i.e., the higher of fair value less costs of disposal and the net present value of future cash flows estimated to result from the continued use of the asset in operations) is greater than the carrying amount of the asset; and (III) the key assumptions used in the cash flow projections, including whether such cash flows are discounted at an appropriate interest rate. Changes in the assumptions used by management to assess impairment, including discount rates or growth rate assumptions used in cash flow projections, could have a material impact on the net present value calculated from the impairment test, which could affect the Company's results of operations and financial condition. If there is a significant adverse change in the interest rate applied to discounted cash flows or in the estimated future cash flows, an impairment loss on assets may be required.

(XLI) Changes in significant accounting policies and accounting estimates

1. Change in accounting policies

No change in critical accounting policies for the current reporting period.

2. Change in accounting estimates

No change in critical accounting estimates for the current reporting period.

(All amounts in RMB'000 unless otherwise stated)

IV. TAXATION

(I) The main categories and rates of taxes applicable to the Group are set out below:

Category	Tax base	Tax rate	Note
Value added tax ("VAT")	Products (commodity) sales income	13%	
	Real estate lease income	9%	
	Other taxable service income	6%	
	Simplified value-added tax calculation method	5%,3%, 1%	
City maintenance and construction tax	Paid Transfer Tax	7%, 5%, 1%	
Enterprise income tax	Taxable income	25%	
Property tax	Calculate and pay at 70% of the original value of the real estate (or rental income).	1.2%,12%	

(II) Tax incentives and basis:

According to ''Announcement of the Ministry of Finance and the State Administration of Taxation No. 13 of 2022", ''Announcement of the Ministry of Finance and the State Administration of Taxation No. 6 of 2023" and ''Announcement of the Ministry of Finance and the State Administration of Taxation No. 12 of 2023", the calculation of the taxable income of low-profit small businesses is reduced to 25% from 2023 to 2027, and the corporate income tax is payable at 20%, with an effective tax rate of 5%.

According to the "Announcement of the Ministry of Finance and the State Administration of Taxation No. 19 of 2023 "Announcement on the Policy of Reducing and Exempting Value-added Tax (VAT) for Small-scale Taxpayers", small-scale VAT taxpayers with monthly sales of less than RMB100,000 yuan (inclusive) are exempted from VAT, and VAT is levied at a reduced rate of 1% on the sales income of small-scale VAT taxpayers for which their levied taxable income rate is 3%.

According to the "Sichuan Taxation Bureau of State Administration of Taxation and Sichuan Department of Finance No. 1 of 2023", taxpayers in the transport, warehousing and postal services, wholesale and retail, accommodation and catering, tourism, sports and entertainment industries are exempted from property tax and urban land use tax for the first half of 2023.

According to the "Announcement of the Ministry of Finance and the State Administration of Taxation No. 10 of 2022", from 1 January 2022 to 31 December 2024, small-scale taxpayers of value-added tax (VAT), low-profit small businesses and self-employed businesses are entitled to a reduction of resource tax, urban maintenance and construction tax, property tax, urban land-use tax, stamp duty (excluding the stamp duty on securities transactions), occupation tax on cultivated land and surcharges on education fees and local education surcharges by a margin of 50 percent.

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(The following amounts are in RMB thousands if not otherwise stated, and the opening balances are as of 1 January 2023, and closing balances are as of 30 June 2023, current period is January to June 2023, previous period is January to June 2022)

(I) Cash and cash equivalents

Items	Closing balance	Opening balance
Cash on hand	**12**	27
Bank deposits	**29,377**	36,025
Other monetary funds	**58,032**	64,186
Total	**87,421**	100,238
Including: total amount of funds abroad	**2**	2

Of which, details of restricted cash are listed as below:

Items	Closing balance	Opening balance
Bank deposits restricted due to reasons such as judicial freezing	**58,032**	64,186
Total	**58,032**	64,186

(II) Accounts receivable

Accounts receivable with aging since invoice date are analyzed as follows:

1. Classified disclosure on aging

Aging	Closing balance	Opening balance
Within 90 days	**18,736**	24,536
90 days to 1 year	**11,086**	23,303
1 to 2 years	**24,128**	43,884
2 to 3 years	**289,096**	70,432
3 years above	**879,287**	311,453
Sub-total	**1,222,333**	473,608
Less: impairment for bad debts	**1,203,932**	431,028
Total	**18,401**	42,580

Note: The ageing discontinuity is caused by Taicang Laxia being no longer included in the scope of consolidation.

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(II) Accounts receivable (continued)

2. Disclosures by bad debt allowance accrual method

	Closing balance				
	Book balance		Bad debt allowance		
Items	**Amount**	**Proportion (%)**	**Amount**	**Proportion (%)**	**Book value**
Accounts receivable subjected to accrual for expected credit losses on individual basis	**1,202,830**	**98**	**1,202,830**	**100**	**–**
Accounts receivable subjected to accrual for expected credit losses on portfolio basis	**19,503**	**2**	**1,102**	**6**	**18,401**
Including: Accrual of aging for bad debts on portfolio	**19,503**	**2**	**1,102**	**6**	**18,401**
Total	**1,222,333**	**100**	**1,203,932**	**98**	**18,401**

Continued:

	Opening balance				
	Book balance		Bad debt allowance		
Items	Amount	Proportion (%)	Amount	Proportion (%)	Book value
Accounts receivable subjected to accrual for expected credit losses on individual basis	426,310	90	426,310	100	–
Accounts receivable subjected to accrual for expected credit losses on portfolio basis	47,298	10	4,718	10	42,580
Including: Accrual of aging for bad debts on portfolio	47,298	10	4,718	10	42,580
Total	473,608	100	431,028	91	42,580

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(II) Accounts receivable (continued)

3. Accounts receivable subjected to accrual for expected credit losses on individual basis

	Closing balance			
Items	**Book balance**	**Bad debt allowance**	**Proportion (%)**	**Reason**
Hongche Industrial (Shanghai) Co., Ltd.*(泓澈實業(上海)有限公司)("Hongche Industrial")	**4,284**	**4,284**	**100**	**Note 1**
Shanghai Weile Fashion Co., Ltd.*(上海微樂服飾有限公司)("Shanghai Weile")	**263,527**	**263,527**	**100**	**Note 2**
La Chapelle Fashion (Taicang) Co., Ltd.*(拉夏貝爾服飾(太倉)有限公司)("Taicang Laxia")	**787,562**	**787,562**	**100**	**Note 3**
Receivables from merchants	**147,457**	**147,457**	**100**	**Note 4**
total	**1,202,830**	**1,202,830**	**100**	

Note 1: The receivables from Hongche Industrial, a related party outside the scope of consolidation, amounted to RMB4,284 thousand. As Hongche Industrial was in poor operating condition and had liquidity problems, the Company considered that the receivables were difficult to collect and therefore accrued for bad debts in full.

Note 2: On August 9, 2022, Shanghai Weile, a wholly-owned subsidiary of the Company, was taken over by a bankruptcy liquidation administrator designated by the court. As Shanghai Weile is insolvent and has preferential claims, the Company expects that it will be difficult to collect its receivables, and therefore full provision for bad debts has been made.

Note 3: On 10 February 2023, Taicang Laxia, a wholly-owned subsidiary of the Company, was taken over by a bankruptcy and reorganization administrator designated by the court. As Taicang Laxia is insolvent and has preferential claims, the Company expects that it will be difficult to collect its receivables, and therefore full provision for bad debts has been made.

Note 4: The amounts due from shopping mall for which accrual for bad debts was made were all due to the poor operating conditions of the shopping malls and liquidity problems, some of the shopping malls were in a state of closure and the Group considered that it was difficult to collect the receivables in full and therefore a full accrual for bad debts was made.

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(II) Accounts receivable (continued)

4. Accounts receivable subjected to accrual for expected credit losses on portfolio basis

(1) Bad debt accrual on portfolio basis

	Closing balance		
Aging	Carrying amount	Bad debt allowance	Proportion (%)
Within 90 days	**16,930**	**339**	**2**
90 days to 1 year	**1,211**	**61**	**5**
1 to 2 years	**479**	**144**	**30**
2 to 3 years	**810**	**485**	**60**
3 years above	**73**	**73**	**100**
Total	**19,503**	**1,102**	**6**

5. Accrual, recovery, or reversal of bad debts allowance during the period

		Changes				
Items	Opening balance	Accrual	Recovered or reversed	Written off	Other decrease	Closing balance
Accounts receivable subjected to accrual for expected credit losses on individual basis	426,310	788,838	7,129	13	5,176	1,202,830
Accounts receivable subjected to accrual for expected credit losses on portfolio basis	4,718	–	2,020	–	1,596	1,102
Including: Accrual for bad debts on portfolio	4,718	–	2,020	–	1,596	1,102
Total	431,028	788,838	9,149	13	6,772	1,203,932

6. Actual write-off of accounts receivable during the reporting period

Item	Write-off amount
Actual write-off of accounts receivable	13

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(II) Accounts receivable (continued)

7. Top five accounts receivable with closing balances:

Name of company	Closing balance	Percentage of total accounts receivable balance (%)	Accrual for bad debts allowance
Summary of top five accounts receivable with closing balances	**1,098,115**	89	1,098,115

8. There were no accounts receivable derecognized due to the transfer of financial assets during the reporting period.

9. There were no assets or liabilities resulting from the transfer of accounts receivable and continued involvement in the reporting period.

10. The accounts receivable balance at the end of the period increased by RMB748,725 thousand compared with the accounts receivable balance at the beginning of the period, representing an increase rate of 158%, mainly due to the fact that Taicang Laxia was no longer included in the scope of consolidation.

(III) Prepayment

1. Prepayment classified by aging

	Closing balance		Opening balance	
Aging	**Amount**	**Proportion (%)**	Amount	Proportion (%)
Within 1 year	**4,412**	**81**	4,200	84
1 to 2 years	**1,046**	**19**	804	16
Total	**5,458**	**100**	5,004	100

2. The top five prepayments by prepaid objects at the end of the period:

Name of company	Closing balance	Percentage of total prepayments (%)
Summary of the top five prepayments at the end of the period	**1,568**	29

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IV) Other receivables

Items	Closing balance	Opening balance
Other receivables	**6,810**	11,298
Total	**6,810**	11,298

Note: Other receivables in the above table represent other receivables after deducting interest receivable and dividend receivable.

(I) Other receivables

Accounts receivable with aging since invoice date are analyzed as follows:

1. Classified by aging

Aging	Closing balance	Opening balance
Within 1 year	**140,328**	50,551
1 to 2 years	**58,359**	49,123
2 to 3 years	**120,966**	144,373
3 years above	**546,470**	419,696
Sub-total	**866,123**	663,743
Less: bad debt impairment	**859,313**	652,445
Total	**6,810**	11,298

Note: The ageing discontinuity is caused by Taicang Laxia's no longer being included in the scope of consolidation.

2. Classified by characteristic

Nature	Closing balance	Opening balance
Deposits and security deposits	**69,662**	58,143
Refund of service charge expenses	**3,278**	9,778
Employee reserve fund	**596**	1,798
Property rental fees	**3,361**	7,822
Current accounts receivable	**786,367**	578,679
Others	**2,859**	7,523
Total	**866,123**	663,743

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IV) Other receivables (continued)

(I) Other receivables (continued)

3. Disclosure based on the three stages of financial asset impairment

Items	Closing balance			Opening balance		
	Carrying amount	**Bad debt allowance**	**Book value**	Carrying amount	Bad debt allowance	Book value
Stage I	**6,846**	**1,632**	**5,214**	14,025	2,794	11,231
Stage II	**2,845**	**1,249**	**1,596**	193	126	67
Stage III	**856,432**	**856,432**	**–**	649,525	649,525	–
Total	**866,123**	**859,313**	**6,810**	663,743	652,445	11,298

4. Details of allowance for bad debts of other receivables

Bad debts allowance	**Stage I Expected credit loss in the next 12 months**	**Stage II Expected credit loss for the entire lifetime (no credit impairment occurred)**	**Stage III Expected credit loss for the entire lifetime (credit impairment occurred)**	**Total**
Opening balance	**2,794**	**126**	**649,525**	**652,445**
Opening balance during the period that:	**–**	**(3)**	**3**	**–**
– transferred to stage II	**–**	**–**	**–**	**–**
– transferred to stage III	**–**	**(3)**	**3**	**–**
– reversed to stage II	**–**	**–**	**–**	**–**
– reversed to stage I	**–**	**–**	**–**	**–**
Accrual in the current period	**–**	**1,138**	**227,244**	**228,382**
Reversal in the current period	**800**	**–**	**7,227**	**8,027**
Write-off in the current period	**–**	**–**	**–**	**–**
Other decrease	**362**	**12**	**13,113**	**13,487**
Closing balance	**1,632**	**1,249**	**856,432**	**859,313**

5. There were no other receivables actually written off during the reporting period

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IV) Other receivables (continued)

(I) Other receivables (continued)

6. Details of the top five of other receivables at the end of the period

Name of company	Characteristic	Closing balance	Aging	Percentage of the closing balance of other receivables (%)	Closing balance of accrual for bad debts
Summary of top five other receivable with closing balances	Externally related party transactions	**760,564**	**Above 1 year**	**89**	**760,564**

7. There were no other receivables involving government grants in this reporting period.

8. There were no other receivables derecognized due to the transfer of financial assets in the reporting period.

9. There were no assets and liabilities arising from the transfer of other receivables and their continued involvement in the reporting period.

10. The increase in the balance of other accounts receivable at the end of the period compared with the balance of other accounts receivable at the beginning of the period was RMB202,380 thousand, representing an increase rate of 30%, as well as the reason for the ageing discontinuity, which was mainly due to the fact that Taicang Laxia was no longer included in the scope of consolidation.

(V) Inventories

1. Classification of inventories

Items	Closing Balance			Opening Balance		
	Book balance	Impairment allowance	Book value	Book balance	Impairment allowance	Book value
Raw materials	**980**	**–**	**980**	980	–	980
Finished goods	**127,558**	**97,271**	**30,287**	142,635	107,803	34,832
Low value consumables	**2,650**	**–**	**2,650**	2,887	–	2,887
Total	**131,188**	**97,271**	**33,917**	146,502	107,803	38,699

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(V) Inventories (continued)

2. *Allowance for impairment of inventories*

Items	Opening balance	Increase in the current period		Decrease in the current period			Closing balance
		Accrual	Others	Reversal	Write off	Others	
Finished goods	107,803	4,976	–	–	15,508	–	**97,271**
Total	107,803	4,976	–	–	15,508	–	**97,271**

Notes for inventory impairment: The Company accrues for impairment of inventories based on the age of the inventory and also uses the principle of lower of net realizable value or cost to provide for impairment and provides for impairment based on the principle of prudence. The write off during the period was due to the sale of inventories for which inventory impairment had been made.

(VI) Non-current asset due within a year

Items	Closing balance	Opening balance
Debt investment (Note 1)	**7,547**	7,547
Less: impairment for non-current assets due within one year	**7,547**	7,547
Total	**–**	–

Note of non-current assets due within one year: In 2017, the Company provided a loan to Shanghai Jiuwo Garment Co., Ltd. for a total amount of RMB6,500 thousand with an interest rate of 5.22%, which was extended for 2 years after maturity on 30 November 2018, with an interest rate of 5.77% during the extension period and will mature on 30 November 2020. As of 30 June 2023, the principal and interest of the borrowing were not recovered, therefore, the Group made full impairment of the principal and interest of the above borrowing.

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(VII) Other current assets

(1) Details of other current assets

Item	Closing balance	Opening balance
Input tax to be certified/withholding credits	**25,514**	30,507
Prepaid tax presented at the net amount	**7,456**	7,366
Borrowing to related parties (Note 1)	**47,869**	47,869
Entrusted loan (Note 2)	**42,400**	42,400
Long-term investments expected to be disposed of in 2023 (Note 3)	**413,157**	298,057
Cost of returns receivable	**14**	13
Others	**505**	1,767
Less: impairment loss	**506,669**	395,691
Total	**30,246**	32,288

Notes of other current assets:

1. As of 30 June 2023, the Company had provided loans totaling RMB40,000 thousand (2018: RMB32,500 thousand; 2019: RMB7,000 thousand; 2020: RMB500 thousand) to Hongche Industrial at a borrowing rate of 6%. Due to the poor operating conditions of the enterprise and liquidity problems, the Company considers that the current assets are difficult to recover and therefore fully accrued impairment.

2. As of 30 June 2023, the Company had provided loans totaling RMB37,400 thousand (2017: RMB5,000 thousand; 2018: RMB27,000 thousand; 2019: RMB5,400 thousand) to Xingji Industrial (Shanghai) Company Limited ("Xingji Industrial") with interest rates ranging from 5.22% to 5.66%. Since Xingji Industrial is no longer apart of the consolidation, and the Company could hardly recover the amount, the Company accrued a full impairment of this loan.

   The Company also provided loans totaling RMB5,000 thousand (2017: RMB5,000 thousand) to Chengdu Biku Technology Co., Ltd. at an interest rate of 6%, for which the Company accrued full amount of impairment.

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(VII) Other current assets (continued)

(1) Details of other current assets (continued)

3. Shanghai Weile, a wholly-owned subsidiary of the Company, and Shanghai Leou, a controlling subsidiary of the Company, have been applied for bankruptcy liquidation by creditors due to insolvency, and the Shanghai No. 3 Intermediate People's Court ruled on July 4, 2022 and July 21, 2022, respectively, to accept the bankruptcy liquidation case and appointed an administrator to take over the control. According to the company's understanding, Shanghai Weile and Shanghai Leou were applied for bankruptcy liquidation by creditors due to insolvency, priority right to receive the debt exists, and it is expected that the possibility of the company recovering the current amount is low, and the possibility of the parent company being compensated as a shareholder is basically zero. Therefore, the corresponding long-term equity investments were fully provided for impairment in the current period.

   Shanghai Nuoxing, a wholly-owned subsidiary of the Company, was applied for bankruptcy liquidation by its creditors due to its inability to pay its debts as they fall due and its obvious lack of solvency, and the Shanghai No. 3 Intermediate People's Court ruled to accept the case of bankruptcy liquidation on 7 February 2023 and appointed an administrator for the purpose of receivership. According to the Company's understanding, Shanghai Nuoxing was applied for bankruptcy and liquidation by creditors due to its inability to settle debts as they fall due and obvious lack of solvency, and the possibility of the parent Company being compensated as a shareholder was basically zero. Therefore, full provision for impairment was made for the corresponding long-term equity investment during the period.

   Taicang Laxia, a wholly-owned subsidiary of the Company, was applied for reorganisation by its creditors because it was unable to settle its debts as they fall due and its assets were insufficient to settle all of its debts, but it possessed the value of reorganisation, and the People's Court of Taicang City, Jiangsu Province, decided to commence a pre-reorganisation of Taicang Laxia on 15 July 2022 and appointed an administrator. According to the administrator's investigation and evaluation of assets and examination of claims in the pre-reorganisation stage, its assets were insufficient to settle all debts, and therefore it had reasons for bankruptcy. The real estate under the name of Taicang Laxia has a high appraisal value, and a number of potential investors have already expressed their willingness to participate in the reorganisation and launched due diligence review. Meanwhile, measured by the administrator, the claims settlement rate under the bankruptcy reorganisation situation will be better than that under the bankruptcy liquidation situation, so it has the reorganisation value and reorganisation feasibility, People's Court of Taicang City, Jiangsu Province ruled on 10 February 2023 to accept the creditor's reorganisation application of Taicang Laxia, and appointed the administrator to take over the control. According to the Company's understanding, Taicang Laxia was applied for bankruptcy and reorganisation by creditors because it was unable to settle its debts as they fall due and its assets were insufficient to settle all its debts, but it possessed reorganisation value and had the priority creditors' claim, so that the parent Company, as a shareholder, had basically zero possibility of being compensated. Therefore, full provision for impairment was made for the corresponding long-term equity investment during the period.

   Anhui Xinshang, a controlling subsidiary of the Company, was no longer included in the scope of the consolidated financial statements as the Company lost control over it on 6 January 2023 because the other shareholder privately changed the seal of Anhui Xinshang. At the same time, the Company made a partial provision for impairment of its long-term equity investment during the period based on its share of the estimated recoverable amount.

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(VIII) Long-term equity investment

Investee company	Opening balance	Opening impairment	Increase/decrease during the year: Increase in investment	Decrease in investment	Share of net profit or loss using the equity method	Adjustment of other comprehensive income	Changes in other equities	Cash dividends declared	Accrual for impairment	Others	Closing balance	Balance of impairment
1. Associated Enterprises												
Tibet Baoxin Equity Investment Partnership (Limited Partnership) ("Tibet Baoxin")	113,038	9,483	-	-	3,060	-	-	-	-	-	116,098	9,483
HONGCHE INDUSTRIAL (SHANGHAI) CO., LTD. (Hereinafter referred to as "Hongche Industrial")	39,250	39,250	-	-	-	-	-	-	-	-	39,250	39,250
Beijing Ao'ni Trade Co. (hereinafter referred to as "Beijing Aoni")	15,106	12,397	-	-	-1,287	-	-	-	-	-	13,819	12,397
Shanghai Yishan Clothing Co. (hereinafter referred to as "Shanghai Yishan") (Note 1)	-	-	-	-	-	-	-	-	-	-	-	-
Total	167,394	61,130	-	-	1,773	-	-	-	-	-	169,167	61,130

Note on long-term equity investments:

Note 1: As of 30 June 2023, Shanghai Yishan has no operating activities.

(IX) Other equity instrument investment

1. Other equity instrument investment

Item	**Closing balance**	Opening balance
Beijing Mingtongsiji Technology Co., Ltd. ("Beijing Mingtong")	**–**	–
Shanghai Bolatu Co., Ltd. ("Shanghai Bolatu")	**–**	–
Total	**–**	–

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IX) Other equity instrument investment (continued)

2. *Details of equity instrument investment not for trading*

Items	Reasons for designated as measured at fair value through other comprehensive income	Dividend income recognized in the current period	Accumulated gains	Accumulated losses	Amount of other comprehensive income recognized in retained earnings	Reasons for other comprehensive income recognized in retained earnings
Beijing Mingtong	holding the financial assets is not for short-term trading, which does not belong to an equity instrument held for trading	–	–	(30,001)	–	–
Shanghai Bolatu	holding the financial assets is not for short-term trading, which does not belong to an equity instrument held for trading	–	–	(13,605)	–	–
Total		–	–	(43,606)	–	–

3. *Other particulars of equity instrument investments*

(1) In 2017, the Company subscribed 1,075 thousand shares of Beijing Mingtong to the Company's directed issue through the National Equities Exchange and Quotations, and the Company contributed RMB15,000 thousand, representing a shareholding ratio of 3.75%. In 2019, the Company completed the change of equity interest in the additional 1,075 thousand shares of equity investment in Beijing Mingtong, and therefore added RMB15,001 thousand of investment in other equity instruments in the year, changing the shareholding ratio to 7.07%. The Company considered that the financial asset was not held for the purpose of selling in the short term and was not a trading equity instrument, i.e., at initial recognition, the Company chose to designate the equity investment as a financial asset measured at fair value through other comprehensive income and presented as an investment in other equity instruments. The fair value of this equity instrument as of 30 June 2023, was zero.

(2) In July 2017, the Company entered into an equity transfer agreement with Shanghai Oxygen Culture Communication Company Limited ("Oxygen Culture") to acquire 9.07% equity interest in Shanghai Bolatu Information Technology Company Limited held by Oxygen Culture for RMB13,605 thousand. In March 2018, Shanghai Bolatu Information Technology Co., Ltd. completed the change of business registration information of the above-mentioned equity interest, and the Company designate the equity investment as a financial asset measured at fair value through other comprehensive income, which is presented as investment in other equity instruments. The fair value of this equity instrument as of 30 June 2023 was zero.

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(X) Other non-current financial assets

Item	Closing balance	Opening balance
Financial assets at fair value through profit or loss	**91,878**	92,208
Including: Ningbo Langshengqianhui Investment Partnership (Limited Partnership)	**22,344**	22,540
Nantong Xunming Fund Partnership (Limited Partnership)	**56,557**	56,557
Hangzhou Smart Investment Equity Investment Partnership (Limited Partnership)	**12,977**	13,111
Total	**91,878**	92,208

Notes of other non-current financial assets:

(1) The Company entered into a written agreement on "Limited Partnership Agreement of Ningbo Lanshengqianhui Investment Partnership (Limited Partnership)" with relevant parties in November 2017, which provides for the Company's contribution of RMB26,000 thousand, representing 5.2% of the total contribution, and the Company contributed a total of RMB18,200 thousand in 2017 in paid-up installments, which the Company considered that the financial assets were not held for the purpose of selling in the short term and were not liquid financial assets, and presented them as other non-current financial assets.

(2) The Company entered into a written agreement of "Nantong Xunming Fund Partnership (Limited Partnership) Limited Partnership Agreement" with relevant parties in August 2018, which agreed that the Company contributed RMB100,000 thousand, representing 33% of the total contribution, and the Company contributed a total of RMB65,000 thousand in 2019 in tranches. The Company considered that the financial asset was not held for the purpose of selling in the short term and was not a liquid financial asset and presented it as other non-current financial assets.

(3) The Company entered into a written agreement of "Hangzhou Smart Investment Equity Partnership (Limited Partnership) Partnership Agreement" with relevant parties in May 2017, and further entered into an updated version of the agreement in November 2017, in accordance with the agreement to subscribe for a capital contribution of RMB10,000 thousand, representing 19.57% of the total capital contribution, and the Group paid in a capital contribution of RMB10,000 thousand in June 2017. The Company considered that the financial asset was not held for the purpose of selling in the short term and was not a liquid financial asset and presented it as other non-current financial assets.

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XI) Fixed asset

1. Fixed asset details

Item	Properties and plants	Machinery equipment	Motor vehicles	Office and electric equipment	Total
I. Original cost					
1. Opening balance	702,388	56,787	1,760	39,551	800,486
2. Increases in the current year	–	–	–	382	382
Purchase	–	–	–	382	382
3. Decreases in the current year	447,677	48,934	338	11,273	508,222
Disposal or retirement	–	–	–	1,034	1,034
Decrease due to scope of consolidation	447,677	48,934	338	10,239	507,188
4. Closing balance	254,711	7,853	1,422	28,660	292,646
II. Accumulated depreciation					
1. Opening balance	188,801	48,149	1,551	35,731	274,232
2. Increases in the current year	7,438	331	113	843	8,725
Accrual for the period	7,438	331	113	843	8,725
3. Decreases in the current period	138,937	41,454	321	9,726	190,438
Disposal or retirement	–	–	–	970	970
Decrease due to scope of consolidation	138,937	41,454	321	8,756	189,468
4. Closing balance	57,302	7,026	1,343	26,848	92,519
III. Impairment allowance					
1. Opening balance	–	–	–	–	–
2. Increases in the current period	–	–	–	–	–
3. Decreases in the current period	–	–	–	–	–
4. Closing balance	–	–	–	–	–
IV. Carrying amount					
1. Closing balance	197,409	827	79	1,812	200,127
2. Opening balance	513,587	8,638	209	3,820	526,254

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XI) Fixed asset (continued)

2. Fixed assets leased out through operating leases

Item	Closing carrying amount
Chengdu Logistic Park	9,492
Tianjing Logistic Park	42,046
Total	51,538

3. Fixed asset with pending certificates of ownership

Item	Carrying amount	Reason for not completing the property certificate
Chengdu Logistic Park	**83,767**	The real estate certificate is processing
Total	**83,767**	

4. Other particulars of fixed asset

As of 30 June 2023, the Company obtained short-term loans of RMB550,000 thousand from Bank of Urumqi by pledging real estate located at No. 116, Guangzhou East Road, Taicang (Su (2019) Taicang Real estate ownership certificate No. 0006322 and Su (2018) Taicang No. 0029259), as detailed in Note V/(XVIII). Because of Taicang Laxia, the subsidiary to which the real estate property belongs, is no longer included in the scope of consolidation as it entered into bankruptcy and reorganisation procedures.

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XI) Fixed asset (continued)

4. Other particulars of fixed asset (continued)

As of 30 June 2023, the Company obtained a short-term loan of RMB198,000 thousand from Everbright Bank by pledging the real estate located at No. 24, Xinghua Si Branch Road, Dasi Town, Xiqing District, Tianjin (Jin (2018) Xiqing Real estate ownership certificate No. 1016982), as detailed in Note VI/(XVIII). As of 30 June 2023, the book value of the real estate was RMB218,243 thousand, including RMB113,642 thousand for houses and buildings, RMB34,823 thousand for land use rights and RMB69,778 thousand for construction in progress, the above assets were seized by the Shanghai Xuhui District People's Court on 23 December 2020, due to the impact of litigation.

As of 30 June 2023, the Company obtained a short-term loan of RMB87,000 thousand from CITIC Bank by pledging the land and structures on the ground located in Group 2 and 3 of Guangming Community, Jinma Town, Wenjiang District, Chengdu (Wenguoyong (2015) No. 66859), refer to Note V(XVIII). As of 30 June 2023, the book value of the land and structures was RMB101,010 thousand, including RMB83,767 thousand for houses and buildings, RMB17,243 thousand for land use rights. The above assets have been seized by the Chengdu Wenjiang District People's Court on 10 September 2020 due to the impact of litigation.

As of 30 June 2023, the Company's fixed assets with restricted ownership or use rights are shown in Note V/(LII)

(XII) Construction in progress

1. Details of construction in progress

	Closing balance			Opening balance		
Project	**Carrying amount**	**Impairment allowance**	**Book value**	Carrying amount	Impairment allowance	Book value
Tianjin logistics center	**89,804**	**20,026**	**69,778**	89,804	20,026	69,778
Total	**89,804**	**20,026**	**69,778**	89,804	20,026	69,778

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XII) Construction in progress (continued)

2. Movement in significant construction in progress

Project	Opening balance	Increase in the current year	Transferred into fixed assets	Other decreases in the current period	Closing balance
Tianjin logistics center	89,804	–	–	–	**89,804**
Total	89,804	–	–	–	**89,804**

Continued:

Project	Budget (ten thousand yuan)	Completion percentage (%)	Project progress (%)	Accumulative capitalization of borrowings	Including: interest of capitalized borrowing costs	interest rate of capitalized borrowing costs (%)	Sources of funds
Tianjin logistics center	142,000	63	69	–	–	–	Loans from financial institutions and own funds
Total	142,000	63	69	–	–	–	

3. There was no accrual for impairment of construction in progress during the reporting period

4. Other notes on construction in progress

As of 30 June 2023, the Company's construction in progress with restricted ownership or use rights is described in Note V/(LII).

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XIII) Right-of-use assets

Items	Properties and plants	Total
I. Original cost		
1. Opening balance	42,381	42,381
2. Increases	1,279	1,279
Leased stores	1,279	1,279
Others	–	–
3. Decreases	36,394	36,394
Disposal of stores	36,394	36,394
4. Closing balance	7,266	7,266
II. Accumulated depreciation		
1. Opening balance	5,954	5,954
2. Increases	1,808	1,808
3. Decreases	4,298	4,298
4. Closing balance	3,464	3,464
III. Accrual for impairment		
1. Opening balance	–	–
2. Increases	–	–
3. Decreases	–	–
4. Closing balance	–	–
IV. Book value		
1. Closing balance	3,802	3,802
2. Opening balance	36,427	36,427

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XIV) Intangible assets

1. Details of intangible assets

Items	Trademarks	Purchased software	Land use right	Total
I. Original cost				
1. Opening balance	2,310	96,460	103,799	202,569
2. Increases	–	–	–	–
3. Decreases	–	4,321	41,264	45,585
Decrease due to scope of consolidation	–	4,321	41,264	45,585
4. Closing balance	2,310	92,139	62,535	156,984
II. Accumulated amortization				
1. Opening balance	1,140	89,423	17,015	107,578
2. Increases	1	1,751	726	2,478
Accrual for the period	1	1,751	726	2,478
3. Decreases	–	4,310	7,272	11,582
Decrease due to scope of consolidation	–	4,310	7,272	11,582
4. Closing balance	1,141	86,864	10,469	98,474
III. Accrual for impairment				
1. Opening balance	1,155	2,711	–	3,866
2. Increases	–	–	–	–
3. Decreases	–	–	–	–
4. Closing balance	1,155	2,711	–	3,866
IV. Book value				
1.Closing balance	14	2,564	52,066	54,644
2.Opening balance	15	4,326	86,784	91,125

2. Description of intangible assets

(1) As of 30 June 2023, the Company has no land use rights with outstanding title certificates.

(2) As of 30 June 2023, the Company's intangible assets with restricted ownership or use rights are described in Note V/(LII).

(3) The net book value of intangible assets – land use rights at the end of the period decreased by RMB34,718 thousand, representing a period-on-period decrease of 40%, compared with the net book value at the beginning of the period, mainly due to the fact that Taicang Laxia was no longer included in the scope of consolidation.

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XV) Long-term prepaid expenses

Items	Opening balance	Increases	Amortization	Other decreases	Closing balance
Leasehold improvement	4,028	1,407	2,054	14	**3,367**
Total	4,028	1,407	2,054	14	**3,367**

(XVI) Deferred tax assets and deferred tax liabilities

1. Deferred tax liabilities before offsetting

Items	**Closing balance**		Opening balance	
	Taxable temporary difference	**Deferred income tax liabilities**	Taxable temporary difference	Deferred income tax liabilities
Changes in fair value of financial instruments	**–**	**–**	–	–
Total	**–**	**–**	–	–

2. Deferred tax assets and liabilities presented as net balance after offsetting

Items	**Deferred tax assets and liabilities offset at the end of the period**	**Ending balance of deferred tax assets or liabilities after offsetting**	Opening offsetting amount of deferred tax assets and liabilities	Opening balance of deferred tax assets or liabilities after offsetting
Deferred tax assets	**–**	**–**	–	–
Deferred tax liabilities	**–**	**–**	–	–

3. Details of deductible temporary differences of unrecognized deferred tax assets

Items	**Closing balance**	Opening balance
Deductible temporary differences	**2,859,896**	1,679,536
Deductible losses	**2,548,818**	2,923,838
Total	**5,408,714**	4,603,374

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XVI) Deferred tax assets and deferred tax liabilities (continued)

4. *Unrecognized tax losses carried forward as deferred tax assets will expire in the following year*

Year	Closing balance	Opening balance	Note
2023	**142,420**	142,873	
2024	**360,088**	741,639	
2025	**1,238,806**	1,509,004	
2026	**192,756**	232,269	
2027	**524,574**	298,053	
2028	**90,174**	–	
Total	**2,548,818**	2,923,838	

(XVII) Allowance for impairment of assets

			Decreases				
Items	Opening balance	Accrual	Transfer back	Cancellation/ Write-offs	Other decrease	Re-classification	**Closing balance**
Bad debt allowance for accounts receivable	431,028	788,838	9,149	13	6,772	–	**1,203,932**
Bad debt allowance for other receivables	652,445	228,382	8,027	–	13,487	–	**859,313**
Allowance for impairment of inventories	107,803	4,976	–	15,508	–	–	**97,271**
Allowance for impairment of non-current assets due within one year	7,547	–	–	–	–	–	**7,547**
Bad debt Allowance for other current assets	395,691	110,978	–	–	–	–	**506,669**
Allowance for impairment of long-term equity investments	61,130	–	–	–	–	–	**61,130**
Allowance for impairment of construction in progress	20,026	–	–	–	–	–	**20,026**
Allowance for impairment of intangible assets	3,866	–	–	–	–	–	**3,866**
Total	1,679,536	1,133,174	17,176	15,521	20,259	–	**2,759,754**

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XVIII) Short-term borrowings

1. *Classification of short-term borrowings*

Items	Closing balance	Opening balance
Secured borrowing	**54,000**	54,000
Mortgages and guaranteed loans	**543,749**	543,748
Mortgage, pledge, and guaranteed loan	**550,000**	550,000
Total	**1,147,749**	1,147,748

Notes to the classification of short-term borrowings:

Guaranteed loans of RMB54,000 thousand were short-term loans of the Company from Bank of Communications Co., Ltd. Shanghai Zhabei Sub-branch, with guarantors Mr. Xing Jiaxing, Shanghai Weil, Chengdu Lewei, Tianjin Laxia and Taicang Laxia, respectively.

Mortgage and guarantee loans of RMB543,749 thousand, of which 81,349 thousand is a short-term loan from CITIC Bank Limited Taifu Plaza Sub-branch, with Shanghai Weile, Chengdu Lewei, Tianjin Laxia, Taicang Laxia and Mr. Xing Jiaxing as guarantors. Collateral is buildings on the ground located at Guangming community, Jinma town, Wenjiang district, Chengdu, which recorded in Chengdu lewei (Wenguoyong (2015) No. 66859); RMB184,000 thousand is a short-term loan of the Company from Shanghai Caohejing Development Zone Sub-branch of China Everbright Bank Co., Ltd. with Mr. Xing Jiaxing, Shanghai Weile and Chengdu Lewei as guarantors, and the collateral is the land use right and ownership of building structures at No. 24, Xinghua Si Branch Road, Dashi Town, Xiqing District, Tianjin, which recorded in Tianjin Laxia (Jin (2018) Xiqing Real Estate Ownership Certificate No. 1016982); RMB278,400 thousand is a short-term loan of the Company from Bank of Communications, Ltd. Shanghai Zhabei Sub-branch and Jing'an Sub-branch, with collateral of buildings at No. 58 Tanzhu Road, Minhang District, Shanghai, (Hu (2020) Min real estate ownership certificate No. 023353), recorded in Shanghai Weile, an off-balance-sheet subsidiary.

The mortgage, pledge, and guarantee loans of RMB550,000 thousand are entrusted loans of Xinjiang Tongrong from Bank of Urumqi Siping Road Technology Sub-branch, with Urumqi High-Tech Investment Development Group as principal and Mr. Xing Jiaxing as guarantor. The collateral is buildings and land use rights at No. 116, Guangzhou East Road, Taicang, recorded in Taicang Laxia (Su (2019) Taicang Real Estate Ownership Certificate No. 0006322 and Su (2018) Taicang Real Estate Ownership Certificate No. 0029259) and the pledge is the Company's 100% equity in Taicang Jiashang Storage Co., Ltd.

The short-term loans totaling RMB332,400 thousand (278,400 thousand in mortgage and guarantee loans and 54,000 thousand in guaranteed loans) with Bank of Communications, Ltd. Shanghai Zhabei Sub-branch and Jing'an Sub-branch were transferred by Bank of Communications, Ltd. Shanghai Branch to China Huarong Asset Management Co.

As of 30 June 2023, the annual interest rate range of the above borrowings is 4.55% to 7.00% (31 December 2022: 4.55% to 7.00%).

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XVIII) Short-term borrowings (continued)

2. Overdue short-term borrowings outstanding at the end of the period (continued)

The total amount of overdue short-term borrowings at the end of the period was RMB1,147,749 thousand, of which the significant overdue short-term borrowings were as follows:

Lending company	Closing balance	Borrowing interest rate (%)	Overdue date	Overdue interest rate (%)
China Huarong Asset Management Co., Ltd. Shanghai Pilot Free Trade Zone Branch	**54,000**	**7**	**21 November 2020**	**10.5**
China Huarong Asset Management Co., Ltd. Shanghai Pilot Free Trade Zone Branch	**75,000**	**7**	**28 November 2020**	**10.5**
Shanghai Pilot Free Trade Zone Branch of China Huarong Asset Management Co., Ltd.	**203,400**	**7**	**9 September 2021 to 3 November 2021**	**10.5**
Shanghai Caohejing Development Zone Sub-branch of China Everbright Bank Co., Ltd.	**184,000**	**5.22**	**1 May 2021/ 25 June 2021**	**6.786**
Taifu Plaza Sub-branch of CITIC Bank Co., Ltd.	**81,349**	**4.55**	**16 to 29 April, 2021**	**6.825**
Urumqi Siping Road Technology Sub-branch of Urumqi Bank Co., Ltd.	**550,000**	**6.8**	**27 November 2020**	**6.3**
Total	**1,147,749**			

(XIX) Accounts payable

Items	Closing balance	Opening balance
Payable for procurement	**1,104,032**	893,963
Total	**1,104,032**	893,963

1. Classified by aging

Aging	Closing balance Amount	Closing balance Percentage	Opening balance Amount	Opening balance Percentage
Within 1 year	**18,755**	**2**	68,005	8
Above 1 year	**1,085,277**	**98**	825,958	92
Total	**1,104,032**	**100**	893,963	100

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XX) Advance from customers

1. Details of advance from customers

Items	Closing balance	Opening balance
Rent in advance	**943**	267
Total	**943**	267

(XXI) Contract liabilities

1. Details of contract liabilities

Items	Closing balance	Opening balance
Receipt of goods in advance	**3,414**	4,408
Total	**3,414**	4,408

2. Significant changes to the book value of contract liabilities during the period

Items	Amount change	Reason
Franchising/consignment sales obligations	(985)	Decrease resulted from franchise and consignment sales models
Total	(985)	

(XXII) Payroll payable

1. Details of payroll payables

Items	Opening balance	Increase during the period	Decrease during the period	Closing balance
Short-term payroll	8,560	29,861	33,232	**5,189**
Retirement benefits – defined contribution plans	151	3,278	3,429	**–**
Termination benefits	1,852	1,128	544	**2,436**
Total	10,563	34,267	37,205	**7,625**

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XXII) Payroll payable (continued)

2. Details of short-term payroll

Items	Opening balance	Increase in the current year	Decrease in the current year	**Closing balance**
Wages or salaries, bonuses, allowances, and subsidies	7,422	26,405	29,696	**4,131**
Staff welfare	–	157	157	**–**
Social insurance	137	1,713	1,850	**–**
Including: Medical insurance	137	1,713	1,850	**–**
Others	–	–	–	**–**
Housing fund	–	1,201	1,201	**–**
Labor union and staff education fund	–	89	89	**–**
Other social insurance	1,001	296	239	**1,058**
Total	8,560	29,861	33,232	**5,189**

3. Details of defined contribution plan

Items	Opening balance	Increase in the current year	Decrease in the current year	**Closing balance**
Basic pension insurance premium	145	3,175	3,320	**–**
Unemployment Insurance premium	6	103	109	**–**
Total	151	3,278	3,429	**–**

(XXIII) Taxes Payable

Item of taxes	**Closing balance**	Opening balance
Value Added Tax	**89,278**	103,897
Corporate Income Tax	**34,802**	63,920
Personal Income Tax	**290**	189
City Maintenance and Construction Tax	**11,256**	14,036
Education Fee Surcharge	**7,623**	10,310
Others	**18**	8,676
Total	**143,267**	201,028

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XXIV) Other payables

Items	Closing balance	Opening balance
Interests payable	**334,900**	288,683
Other payables	**600,093**	670,249
Total	**934,993**	958,932

Note: Other payables in the above table refer to other payables after deducting interest payable and dividends payable.

1. *Interest payable*

Items	Closing balance	Opening balance
Interest payable of short-term borrowings	**334,900**	288,683
Total	**334,900**	288,683

Details of significant interest expired but unpaid:

Names of borrowing company	Overdue amount	Reason
China Huarong Asset Management Co., Ltd. Shanghai Pilot Free Trade Zone Branch	88,574	Difficulties in capital turnover
CITIC Bank Limited Shanghai Taifu Plaza Sub-branch	9,990	Difficulties in capital turnover
Shanghai Branch of China Everbright Bank Co., Ltd.	23,382	Difficulties in capital turnover
Urumqi Siping Road Technology Sub-branch of Bank of Urumqi Co., Ltd.	212,954	Difficulties in capital turnover
Total	334,900	

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XXIV) Other payables (continued)

2. Other payables

(1) Other receivables presented by characteristic

Nature	Closing balance	Opening balance
Payables for construction and decoration of department stores	**95,162**	142,223
Suppliers' deposits	**37,372**	42,762
Vendors' deposit	**9,383**	17,555
Outsourcing staff service fee	**10**	156
Payables for logistic expense	**3,138**	3,607
Trustee fees	**21**	2,153
Payable for posts props and store promotion	**3,211**	4,883
Payables for rental fees	**82,501**	96,565
Litigation defaults, fees, and interests	**113,804**	111,973
Loans from the third parties	**2,700**	2,900
Payable for e-commerce fees	**5,682**	3,597
Consulting fees	**1,693**	7,800
Payables for software purchase	**459**	2,819
Estimated expenditures	**4,976**	8,699
Tax overdue payments	**32,160**	34,669
Others	**10,857**	9,419
External related party	**196,964**	178,469
Total	**600,093**	670,249

(XXV) Non-current liabilities due within one year

Items	Closing balance	Opening balance
Lease liabilities due within one year	**2,105**	10,348
Total	**2,105**	10,348

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XXVI) Other current liabilities

Items	Closing balance	Opening balance
VAT amounts reclassified pending	**449**	578
Total	**449**	578

(XXVII) Lease liabilities

Remaining lease term	Closing balance	Opening balance
Within 1 year	**2,176**	12,040
1 to 2 years	**930**	9,399
2 to 3 years	**661**	8,574
3 to 4 years	**385**	8,591
4 to 5 years	**197**	2,448
Subtotal of total lease payments	**4,349**	41,052
Less: unrecognized financing costs	**302**	4,031
Sub-total of present value of lease payments	**4,047**	37,021
Less: lease liabilities due within one year	**2,105**	10,348
Total	**1,942**	26,673

Interest expense on lease liabilities of RMB118 thousand was occurred during the period.

(XXVIII) Estimated liability

Item	Closing balance	Opening balance	Reason
Estimated returns of goods	**35**	34	Returned goods
Pending litigation	**62,094**	57,335	Litigation matters
Borrowings from Gemstone Advantage (current name: Gemstone Advantage Limited)	**453,963**	407,225	Accrual of guarantee obligations
Tianjin project delayed completion of liquidated damages	**–**	4,879	Breach of contract due to delay in completion
Total	**516,092**	469,473	

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XXIX) Other non-current liabilities

Items	Closing balance	Opening balance
Asset-related government grants	**4,650**	5,242
Others	**–**	177
Total	**4,650**	5,419

1. Asset-related government grants

Items	Opening balance	Amount of subsidy increased	Recognized in other profit or loss in the current period	Other changes	Closing balance	Asset/ revenue related
Subsidy of Tianjin logistic project	4,800	–	150	–	**4,650**	Asset related
Subsidy of Taicang logistic project	442	–	4	(438)	**–**	Asset related
Total	5,242	–	154	(438)	**4,650**	

2. Other liability items

Items	Opening balance	Amount of subsidy increased	Amount of offsetting costs in the current period	Other changes	Closing balance	Asset/ revenue related
Decoration subsidy (Note)	177	–	2	(175)	**–**	revenue related
Total	177	–	2	(175)	**–**	

Note: The decoration subsidy is a store renovation subsidy for shopping malls, which was amortized against selling expenses of RMB2 thousand during the period.

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XXX) Share capital

Item	Opening balance	Change for the period Increase (+) Decrease (-)					Closing balance
		Issuance of new shares	Bonus share	Transfer from reserve	Others	Sub-total	
Total share capital	547,672	–	–	–	–	–	**547,672**

Changes in share capital:

Item	Closing balance	Opening balance
RMB-denominated ordinary shares	**332,882**	332,882
Overseas-listed shares (H share)	**214,790**	214,790
Total	**547,672**	547,672

(XXXI) Capital surplus

Items	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
Share premium (equity premium)	1,864,243	–	–	**1,864,243**
Other capital surplus	46,563	–	–	**46,563**
Total	1,910,806	–	–	**1,910,806**

(XXXII) Treasury share

Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Treasury share	20,010	–	–	**20,010**
Total	20,010	–	–	**20,010**

Notes of treasury shares: As of 30 June 2023, the Company has repurchased a total of 3,573,200 A shares by centralized competitive bidding transactions, which have accounted for 0.65% of the total share capital of the Company and 1.07% of the A share capital of the Company, with the highest transaction price of RMB6.15 per share and the lowest transaction price of RMB4.14 per share, and the amount used for the repurchase was RMB20,010 thousand (excluding transaction fees).

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XXXII) Treasury share (continued)

On 21 December 2022 and 13 January 2023, the Company convened the 38th meeting of the fourth session of the board of Directors of the Company and the 2023 first extraordinary general meeting and class meetings, the 2023 first domestic shareholders class meeting and the 2023 first H shareholders class meeting to consider and approve the resolution in relation to cancellation of repurchased shares and reduction of registered capital and amendments to the Articles of Association.* (《關於註銷回購股份並減少註冊資本及修訂〈公司章程〉的議案》). The Company proposed to cancel the 3,573,200 domestic shares deposited in the securities account designated for share repurchase of the Company and reduce the registered capital of the Company accordingly. After the cancellation of repurchased shares, the total number of shares of the Company will be changed from 547,671,642 shares to 544,098,442 shares. As at the approval date of this financial statements, the Company is in the bankruptcy liquidation procedures and was temporarily unable to handle the matters related to cancellation of shares.

(XXXIII) Other comprehensive income

		Changes in the current period									
Items	Opening balance	Incurred before income tax for the period	Less: Transfer from prior period to profit or loss included in other comprehensive income	Less: Transfer from prior period to financial assets at amortized cost charged to other comprehensive income in the current period	Less: Transfer of hedging reserve to related assets or liabilities	Less: Income tax expense	Attributable to parent company after tax	Attributable to minority shareholders after tax	Less: Carry forward Re-measurement of changes in defined benefit plans	Less: Transfer from prior period to retained earnings charged to other comprehensive income in the current period	**Closing balance**
I. Other comprehensive losses that cannot be reclassified into profit and loss	(43,606)	-	-	-	-	-	-	-	-	-	**(43,606)**
1. Fair value change gains of other equity instrument investments	(43,606)	-	-	-	-	-	-	-	-	-	**(43,606)**
Total other comprehensive income	(43,606)	-	-	-	-	-	-	-	-	-	**(43,606)**

(XXXIV) Surplus reserve

Items	Opening balance	Increase in the current period	Decrease in the current period	**Closing balance**
Statutory surplus reserve	246,788	–	–	**246,788**
Total	246,788	–	–	**246,788**

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XXXV) Undistributed profit

Items	Closing balance	Opening balance
Undistributed profits at the beginning of year (before adjustments)	**(5,147,499)**	(4,075,526)
Adjustments of the beginning balance	**–**	–
Undistributed profits at the beginning of year (after adjustments)	**(5,147,499)**	(4,075,526)
Add: Net profit attributable to shareholders of the Company	**(565,165)**	(1,071,973)
Less: appropriation to statutory surplus reserve	**–**	–
Add: Losses recovery from surplus reserve	**–**	–
Undistributed profits at the end of the period	**(5,712,664)**	(5,147,499)

(XXXVI) Revenue and cost of sales

1. *Revenue and cost of sale*

	Current period's amount		Previous period's amount	
Items	Revenue	Cost	Revenue	Cost
Principal business	**73,904**	**17,314**	72,839	14,280
Other business	**10,084**	**3,611**	39,745	18,822
Total	**83,988**	**20,925**	112,584	33,102

2. *Income derived from contracts*

Contract classifications	Current period's amount	Previous period's amount
I. Category of products		
Apparel	**49,349**	59,023
Brand-integrated services	**24,555**	13,816
Lease	**6,147**	32,801
Others	**3,937**	6,944
II. Classified by business areas		
Domestic	**83,988**	112,584
Overseas	**–**	–
III. Classified by the timing of commodity transfer		
Transferred at a point in time	**53,286**	65,967
Transferred at a point over time	**30,702**	46,617
Total	**83,988**	112,584

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XXXVII) Taxes and surcharge

Items	Current period's amount	Previous period's amount
City maintenance and construction tax	**19**	192
Educational surcharge	**8**	55
Property tax	**1,137**	7,652
Others	**234**	661
Total	**1,398**	8,560

(XXXVIII) Selling and distribution expenses

Items	Current period's amount	Previous period's amount
Employee benefits expenses	**15,284**	15,515
Depreciation of right of use assets	**1,808**	1,316
Amortization of long-term prepaid expenses	**1,787**	173
Department store expenses	**17,923**	1,788
Online platform expenses	**1,426**	286
Utilities and electricity fees	**622**	3,460
Logistic expenses	**692**	653
Depreciation of fixed assets	**6,295**	15,134
Marketing expense	**250**	117
Cost of low value consumables	**215**	90
Repair and maintenance expenses	**–**	4,257
Traveling and communication expenses	**484**	4
Amortization of intangible assets	**11**	87
Quality inspection fee	**9**	–
Office supplies	**961**	91
Design and consulting expenses	**2,749**	551
Sample garment procurement fee	**97**	–
Total	**50,613**	43,522

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XXXIX) Administrative expense

Items	Current period's amount	Previous period's amount
Employee benefits expenses	**19,583**	18,504
Depreciation of fixed assets	**804**	16,874
Consulting expenses	**9,943**	3,548
Amortization of intangible assets	**2,211**	3,535
Rental fees	**4,958**	2,801
Utilities and electricity fees	**2,858**	1,048
Office supplies	**1,578**	2,577
Traveling and communication expenses	**975**	884
Sample purchase fee	**490**	–
Logistic expenses	**326**	88
Repair and maintenance expenses	**75**	4
Costs of low value consumables	**82**	39
Amortization of long-term prepaid expenses	**62**	2,371
Others	**–**	46
Total	**43,945**	52,319

(XL) Financial expenses

Items	Current period's amount	Previous period's amount
Interest expenses	**47,338**	80,617
Less: Interest income	**511**	698
Bank charges	**112**	132
Financing fees	**118**	80
Total	**47,057**	80,131

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XLI) Other income

1. Details of other income

Source of other income	Current period's amount	Previous period's amount
Governmental grants relating to daily operational activities	**14,143**	2,019
Gains from debt restructuring	**(63)**	8,425
Total	**14,080**	10,444

2. Governmental grants recognized in other income

Categories	Current period's amount	Previous period's amount	Asset/ revenue related
Transferred from amortization of deferred income in asset class	**154**	169	Asset related
Enterprise support policy	**–**	1,850	Revenue related
Taxes and surcharges reduction	**13,989**	–	Revenue related
Total	**14,143**	2,019	

(XLII) Investment income

1. Details of investment income

Categories	Current period's amount	Previous period's amount
Income from long-term equity investments accounted for by the equity method	**1,773**	(2,260)
Investment loss of disposal of long-term equity investment	**–**	–
Gain or loss on debt restructuring (Note 1)	**5,372**	2,783
Change due from scope of consolidation (Note 2)	**(464,456)**	–
Total	**(457,311)**	523

2. Notes of investment income

(1) As of 30 June 2023, the Company had investment income of RMB5,372 thousand from negotiations with some suppliers by way of debt forgiveness during the period.

(2) The Company's wholly-owned subsidiaries, Shanghai Nuoxing and Taicang Laxia, entered into bankruptcy liquidation and bankruptcy reorganization procedures on 7 February 2023 and 10 February 2023, respectively, and were no longer included in the scope of the consolidated financial statements, resulting in losses totalling RMB464,456 thousand.

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XLIII) Gain on fair value changes

Source of gain on fair value changes	Current period's amount	Previous period's amount
Other non-current financial assets	**(330)**	(969)
Total	**(330)**	(969)

(XLIV) Credit impairment losses

Categories	Current period's amount	Previous period's amount
Bad debt losses of accounts receivables	**9,149**	(10,323)
Bad debt losses of other receivables	**8,027**	(5,164)
Total	**17,176**	(15,487)

(XLV) Asset impairment loss

Categories	Current period's amount	Previous period's amount
Loss on impairment of inventories	**(4,976)**	(18,540)
Others	**–**	534
Total	**(4,976)**	(18,006)

(XLVI) Gain on disposals of assets

Categories	Current period's amount	Previous period's amount
Losses on disposal of fixed assets	**(50)**	(646)
Gains on disposal of right of use assets	**463**	(200)
Total	**413**	(846)

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XLVII) Non-operating income

Categories	Current period's amount	Previous period's amount	Amount included in non-recurring profit or loss for the period
Compensation income	**104**	2	104
Others	**38**	1,041	38
Total	**142**	1,043	142

(XLVIII) Non-operating expenses

Categories	Current period's amount	Previous period's amount	Amount included in non-recurring profit or loss for the period
Compensation for closing stores	**4,251**	2,546	4,251
Compensation for litigation	**61,132**	35,489	61,132
Loss on obsolescence of non-current assets	**–**	244	–
Loss on disposal of current assets	**68**	46	68
Penalties	**4**	242	4
Tax late payment	**2,262**	11,328	2,262
Others	**66**	34	66
Total	**67,783**	49,929	67,783

(XLIX) Income tax expenses

1. *Table of income tax expenses*

Items	Current period's amount	Previous period's amount
Current income tax expense	**–**	1,639
Deferred income tax expense	**293**	–
Total	**293**	1,639

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XLIX) Income tax expenses (continued)

2. Reconciliation between total profit and income tax expenses

Items	Current period's amount
Total profit	**(578,537)**
Income tax expense at statutory/applicable tax rates	**(144,634)**
Effect of different tax rates applied to subsidiaries	**–**
Effect of adjusting income tax of prior periods	**–**
Effect of non-taxable income	**(361)**
Effect of non-deductible costs, expenses and losses	**567**
Effect of deductible losses from the use of prior period's unrecognized deferred tax assets	**(5,419)**
Effect of deductible temporary differences or deductible losses on deferred tax assets not recognized in the current period	**150,140**
Income tax expense	**293**

(L) Notes to the consolidated cash flow statement

1. Cash received relating to other operating activities

Items	Current period's incurrence	Previous period's incurred
Deposits from shopping mall and associate	**1,045**	768
Interest income	**308**	142
Non-operating income	**–**	250
Government grants	**6**	1
Others	**10,535**	6,841
Receipt of employee reserve funds	**348**	30
Total	**12,242**	8,032

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(L) Notes to the consolidated cash flow statement (continued)

2. Cash paid relating to other operating activities

Items	Current period's amount	Previous period's amount
Utilities, electricity and department store expenses	**7,782**	6,393
Consulting fees	**4,504**	8,120
E-commerce fees	**881**	–
Net increase in deposits and guarantees	**713**	466
Marketing and promotion costs	**2,435**	2,746
Compensation expenditure	**–**	–
Bank charges	**42**	112
Reimbursement of performance bonds	**–**	–
Frozen bank account	**4,504**	3,841
Others	**14,676**	180
Total	**35,537**	21,858

3. Payment of other cash related to investing activities

Items	Current period's amount	Previous period's amount
Cash outflow for loss of control of subsidiaries	**3,541**	–
Total	**3,541**	–

4. Payment of other cash related to financing activities

Categories	Current period's amount	Previous period's amount
Leasing payments	**517**	748
Total	**517**	748

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(LI) Supplementary information of cash flow statement

1. Supplementary information of cash flow statement

Categories	Current period's amount	Previous period's amount
1. Reconciliation net loss to cash flows from operating activities		
Net Profit	**(578,830)**	(179,916)
Add: Credit impairment losses	**(17,176)**	15,487
Asset impairment allowance	**4,976**	18,006
Depreciation of fixed assets, oil and gas assets, biological assets	**8,905**	32,008
Depreciation of right of use assets	**1,808**	1,316
Amortization of intangible assets	**2,384**	3,622
Amortization of long-term prepaid expenses	**1,849**	2,544
Loss on disposal of fixed assets, intangible assets and other long-term assets (gain is recorded with a "–" sign)	**(413)**	846
Loss on scrapping of fixed assets (gain is recorded with a "–" sign)	**–**	244
Losses on changes in fair value (gains are recorded with a "–" sign)	**330**	969
Financial expenses (gains are recorded with a "–" sign)	**47,057**	80,131
Loss on investments (gain is presented with a "–" sign)	**457,311**	(523)
Decrease in deferred income tax assets (increase is shown by "-")	**–**	–
Increase in deferred income tax liabilities (decrease is presented with a "–" sign)	**–**	–
Decrease in deferred income	**(156)**	(274)
Decrease in inventories (increase is shown by "-")	**(195)**	52,132
Decrease in operating receivables (increase by "-")	**22,084**	7,033
Increase in operating payables (decrease is presented with a "–" sign)	**48,494**	(27,151)
Others	**–**	–
Net cash flows from operating activities	**(1,572)**	6,474
2. Significant investing and financing activities not involving cash received and paid		
Debt transfers to capital	**–**	–
Corporate convertible bond due within one year	**–**	–
Financing leased in financial assets	**–**	–
3. Net change in cash and cash equivalents		
Closing balance of cash	**29,389**	63,998
Less: Opening balance of cash	**36,052**	61,356
Add: Closing balance of cash equivalents	**–**	–
Less: Opening balance of cash equivalents	**–**	–
Net increase amount of cash and cash equivalents	**(6,663)**	2,642

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(LI) Supplementary information of cash flow statement (continued)

2. Cash and cash equivalents

Categories	Closing balance	Opening balance
I. Cash	**29,389**	36,052
Including: Cash on had	**12**	27
Cash at bank that can be readily drawn on demand	**29,377**	36,025
Other cash at bank that can be readily used	**–**	–
II. Cash equivalents		
Including: Bond investment due within three months	**–**	–
III. Closing balance of cash and cash equivalents	**29,389**	36,052
Including: restricted cash and cash equivalents used by the company or the subsidiaries of the Group	**–**	–

(LII) Assets with restricted ownership or use right

Categories	Balance	Reason for restriction
Monetary Funds	**58,032**	Judicial freeze or under control of administrator
Fixed assets	**197,409**	Seizure and loan mortgage
Construction in progress	**69,778**	Loan Mortgage
Intangible assets	**52,066**	Seizure and loan mortgage
Total	**377,285**	

(LIII) Foreign currency monetary items

1. Foreign currency monetary items

Categories	Foreign currency balance at the end of the period	Translation rate	Closing balance in RMB
Currency funds			
Of which: Hong Kong Dollars	1	0.92198	**1**
Of which: US Dollars	–	7.2258	**1**
Estimated liabilities			
Of which: Euros	57,504	7.8771	**452,963**

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(LIV) Government grants

1. Basic information on government grants

Types of Government Grants	Current period's amount	Amount charged to current profit or loss	Note
Government grants included in deferred income	–	154	For details, please refer to Note V/(XXIX)
Government grants included in other income	**13,989**	13,989	For details, please refer to Note V/(XLI)
Total	**13,989**	14,143	

VI. CHANGES IN CONSOLIDATION SCOPE

(I) There was no business combination under non-identical control during the reporting period

(II) There was no business combination under the same control during the reporting period

(III) There was no disposal of subsidiaries during the reporting period

(IV) Change in scope of consolidation for other reasons

Name of subsidiary	Reasons of changes
Shanghai Nuoxing	Taken over by a court-appointed liquidation administrator and removed from the scope of consolidated statements
Taicang Laxia	Taken over by a court-appointed reorganization administrator and removed from the scope of consolidated statements
Taicang Jiashang	Because of Taicang Laxia, a wholly-owned subsidiary, was taken over by the bankruptcy reorganisation administrator and removed from the scope of consolidated statements
Taicang Xiawei Storage	Because of Taicang Laxia, a wholly-owned subsidiary, was taken over by the bankruptcy reorganisation administrator and removed from the scope of consolidated statements
Anhui Xinshang	Taken over by a liquidation administrator and removed from the scope of consolidated statements

(All amounts in RMB'000 unless otherwise stated)

VII. INTERESTS IN OTHER ENTITIES

(I) Interests in subsidiaries

1. Structure of the Group

Name of subsidiaries	Main business site	Place of registration	Nature of business	Percentage of shareholding (%) Direct	Percentage of shareholding (%) Indirect	Means of acquirement
Laxia Xiuxian	Shanghai	Shanghai	Production and sales of apparel products	100	–	Established by investment
Chongqing Lewei	Chongqing	Chongqing	Production and sales of apparel products	100	–	Established by investment
Beijing Laxia	Beijing	Beijing	Production and sales of apparel products	100	–	Established by investment
Chengdu Laxia	Chengdu	Chengdu	Sales of apparel products	100	–	Established by investment
Shanghai Langhe	Shanghai	Shanghai	Sales of apparel products	100	–	Established by investment
Shanghai Xiawei	Shanghai	Shanghai	Sales of apparel products	100	–	Established by investment
Tianjin Laxia	Tianjin	Tianjin	Sales of apparel products	100	–	Established by investment
Chengdu Lewei	Chengdu	Chengdu	Sales of apparel products	100	–	Established by investment
Shanghai Chongan	Shanghai	Shanghai	Sales of apparel products	85	–	Established by investment
Shanghai Youshi	Shanghai	Shanghai	Sales of apparel products	100	–	Established by investment
Fujian Lewei	Pucheng	Pucheng	Sales of apparel products	100	–	Established by investment
Enterprise Management	Shanghai	Shanghai	Investment	100	–	Established by investment
Shanghai Jiatuo	Shanghai	Shanghai	IT technology	100	–	Established by investment
Laxia Nafu	Shanghai	Shanghai	Sales of apparel products	65	–	Established by investment
Guangzhou Xichen	Guangzhou	Guangzhou	Sales of apparel products	60	–	Acquired by combination
Taicang Xiawei	Taicang	Taicang	Sales of apparel products	100	–	Established by investment
Xinjiang Tongrong	Urumqi	Urumqi	Apparel technology	95	–	Established by investment
Shanghai Pinxi	Shanghai	Shanghai	Apparel technology	–	100	Established by investment
Taicang Chongan	Taicang	Taicang	Sales of apparel products	100	–	Established by investment
Shanghai Geraopu	Shanghai	Shanghai	Sales of apparel products	–	100	Established by investment
Aixi Culture	Shanghai	Shanghai	Cultural and entertainment brokerage services	–	100	Established by investment

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

(II) Equity in Joint Ventures and Associates

1. Significant joint ventures and associates

Name of associates	Main business region	Place of registration	Characteristic of business	Percentage of shareholding (%) Direct	Indirect	Accounting treatment
Tibet Baoxin	Tibet	Tibet	Asset management	60	–	Equity method
Hongche Industrial	Shanghai	Shanghai	Design and sales of apparel products	36	–	Equity method
Beijing Aoni	Beijing	Beijing	Wholesale and retail	16	–	Equity method
Shanghai Yishan	Shanghai	Shanghai	Wholesale and retail	30	–	Equity method

(1) Explanation of the ratio of shareholding in joint ventures or associates different from the ratio of voting rights

The Company holds only one seat in the investment committee of Tibetan Baoxin and can participate directly in the discussion and formulation of decisions. However, as there are a total of four seats in the investment committee and decisions require a vote of at least two-thirds of the members of the investment committee, the Company is unable to control the decisions of the investment committee and only has significant influence on Tibetan Baoxin, which is therefore considered as an associate.

(2) Basis for holding less than 20% of the voting rights but having significant influence

The Company holds one seat on the board of directors of Beijing Aoni and has a total of three board members, so it can directly participate in the discussion and formulation of decisions and has significant influence on Beijing Aoni, and therefore it is considered an associate.

VIII. DISCLOSURE OF RISKS IN RELATION TO FINANCIAL INSTRUMENTS

The Company's major financial instruments include monetary funds, equity investments, borrowings, receivables, and payables. It is exposed to risks associated with various financial instruments in its day-to-day activities, which mainly include credit risk, liquidity risk and market risk. The risks associated with these financial instruments and the risk management policies that have been adopted by the Company to mitigate these risks are described below:

The Board of Directors is responsible for planning and establishing the Company's risk management framework, formulating the Company's risk management policies and related guidelines, and overseeing the implementation of risk management measures. The Company has established risk management policies to identify and analyses the risks faced by the Company. These risk management policies specify risks and cover many aspects of market risk, credit risk and liquidity risk management. The Company regularly assesses changes in the market environment and the Company's operations to determine whether to update its risk management policies and systems. The Company's risk management is carried out by the Risk Management Committee in accordance with the policies approved by the Board. The Risk Management Committee identifies, evaluates and mitigates relevant risks by working closely with other business units of the Company. The Company's internal audit department conducts regular reviews of risk management controls and procedures and reports the results of these reviews to the Company's Audit Committee. The Company diversifies its exposure to financial instruments through an appropriately diversified portfolio of investments and businesses and reduces the risk of concentration in a single industry, a specific region or a specific counterparty by establishing appropriate risk management policies.

VIII. DISCLOSURE OF RISKS IN RELATION TO FINANCIAL INSTRUMENTS (CONTINUED)

(I) Credit risk

Credit risk is the risk of financial loss to the Company arising from the failure of counterparties to meet their contractual obligations and management has established an appropriate credit policy and continually monitors exposure to credit risk.

The Company has adopted a policy of only dealing with creditworthy counterparties.

In addition, the Company assesses the creditworthiness of its customers and sets credit periods accordingly based on an assessment of the customer's financial condition, the likelihood of obtaining guarantees from third parties, credit history and other factors such as current market conditions. The Company continuously monitors the balance and collection of notes and accounts receivable and uses written reminders, shortened credit periods or cancellation of credit periods for customers with poor credit histories to ensure that the Company is not exposed to significant credit losses. In addition, the Company reviews the recoveries of financial assets at each balance sheet date to ensure that adequate accrual for expected credit losses has been made for the relevant financial assets.

The Company's other financial assets include monetary funds, other receivables, and equity investments. The credit risk of these financial assets arises from counterparty defaults and the maximum exposure to credit risk is the carrying amount of each financial asset on the balance sheet. The Company does not provide any other guarantees that may expose the Company to credit risk.

The Company holds its monetary fund mainly with financial institutions such as nation-controlled banks and other large and medium-sized commercial banks, which management believes have high creditworthiness and asset positions and are not exposed to significant credit risk and will not incur any significant losses due to defaults by the counterparties. It is the Company's policy to control the amount of deposits placed with each reputable financial institution based on its market reputation, scale of operations and financial background to limit the amount of credit risk exposure to any individual financial institution.

As part of the Company's credit risk asset management, the Company uses aging to assess impairment losses on accounts receivable and other receivables. The Company's accounts receivable and other receivables relate to a large number of customers and the aging information provides an indication of the solvency and bad debt risk of these customers with respect to their accounts receivable and other receivables. The Company calculates historical actual bad debt ratios for different aging periods based on historical data, and considers forecasts of current and future economic conditions, such as national GDP growth rates, total infrastructure investment, national monetary policies, and other forward-looking information for adjustment to arrive at expected loss rates. For long-term receivables, the Company makes a reasonable assessment of expected credit losses after considering the settlement period, contractual payment terms, the debtor's financial position and the economic situation of the industry in which the debtor operates and adjusting for the above forward-looking information.

(All amounts in RMB'000 unless otherwise stated)

VIII. DISCLOSURE OF RISKS IN RELATION TO FINANCIAL INSTRUMENTS (CONTINUED)

(I) Credit risk (continued)

As of 30 June 2023, the carrying amounts of the relevant assets and the expected credit impairment losses were as follows:

Aging	Carrying amount	Impairment accrued
Accounts receivable	1,222,333	1,203,932
Prepayment	5,458	–
Other receivables	866,123	859,313
Total	2,093,914	2,063,245

(II) Liquidity risk

Liquidity risk is the risk that the Company will run short of funds in meeting its obligations settled by delivery of cash or other financial assets. The Company's member companies are each responsible for their own cash flow forecasts. Based on the results of the cash flow forecasts of each member company, the funding department of the Company continuously monitors the Company's short and long-term funding requirements at the corporate level to ensure that adequate cash reserves are maintained; and also, continuously monitors compliance with the provisions of borrowing agreements to obtain commitments from major financial institutions to provide sufficient standby funding to meet short and long-term funding requirements. In addition, the Company has entered into line of credit agreements with its major business correspondent banks for financing lines to support the Company in meeting its obligations related to commercial paper.

As of 30 June 2023, the Company's financial liabilities and off-balance sheet guarantee items are presented as undiscounted contractual cash flows by remaining contractual maturity as follows:

	Closing balance					
Items	**Immediate repayment**	**Within 1 year**	**1 to 2 years**	**2 to 5 years**	**5 years above**	**Total**
Short-term borrowings	**1,147,749**	**–**	**–**	**–**	**–**	**1,147,749**
Accounts payable	**1,104,032**	**–**	**–**	**–**	**–**	**1,104,032**
Other payables	**934,993**	**–**	**–**	**–**	**–**	**934,993**
Total	**3,186,774**	**–**	**–**	**–**	**–**	**3,186,774**

VIII. DISCLOSURE OF RISKS IN RELATION TO FINANCIAL INSTRUMENTS (CONTINUED)

(III) Market risk

1. *Exchange rate risk*

The Company's principal operations are in the People's Republic of China and its principal business is denominated in RMB. The finance department of the Company's head office is responsible for monitoring the size of the Company's foreign currency transactions and foreign currency assets and liabilities to minimize its exposure to foreign exchange risk; for this purpose, the Company may enter forward foreign exchange contracts or currency swap contracts for the purpose of hedging its foreign exchange risk. The Company has not entered any forward foreign exchange contracts or currency swap contracts in January to June in 2023 or in 2022.

As of 30 June 2023, the amounts of foreign currency financial assets and foreign currency financial liabilities held by the Company that have been translated into RMB are listed below:

Projects	**30 June 2023 RMB in thousand**	31 December 2022 RMB in thousand
Hong Kong Dollar Items		
Currency funds	**1**	1
US Dollar Items		
Currency funds	**1**	1
Euro items		
Estimated liabilities	**452,963**	406,225

As of 30 June 2023, the Company recognized foreign currency assets of RMB2,000 (all bank deposits in foreign currencies), representing approximately 0.00% of the asset items, and foreign currency liabilities of RMB452,963 thousand, representing approximately 11.75% of the liability items, which did not involve foreign currency owner's equity items. For each class of the Company's financial assets and liabilities in Hong Kong dollars and euros, if the RMB had appreciated or depreciated by 10% against the Hong Kong dollar or the euro, with other factors remaining unchanged, the Company would have decreased or increased its net profit by approximately RMB45,296 thousand (approximately RMB40,623 thousand in 2022)

2. *Interest rate risk*

The Company's interest rate risk arises primarily from interest-bearing debt such as bank borrowings. Financial liabilities with floating interest rates expose the Company to cash flow interest rate risk and financial liabilities with fixed interest rates expose the Company to fair value interest rate risk. The Company determines the relative proportion of fixed rate and floating rate contracts based on market conditions.

From January to June in 2023, the Company has no floating rate interest bearing debt.

IX. FAIR VALUE

(I) Financial instruments measured at fair value

The Company presents the carrying value of financial asset instruments measured at fair value on 30 June 2023, by the three levels of fair value. The classification of fair value in the three levels is based on the lowest of the three levels to which each significant input used in measuring fair value belongs. The three levels are defined as follows.

Level 1: is the unadjusted quoted price in an active market for identical assets or liabilities that is available at the measurement date.

Level 2: are inputs other than Level 1 inputs that are directly or indirectly observable for the relevant asset or liability.

Level 2 inputs include: 1) quoted prices in active markets for similar assets or liabilities; 2) quoted prices in inactive markets for identical or similar assets or liabilities; 3) observable inputs other than quoted prices, including interest rates and yield curves, implied volatilities and credit spreads that are observable during normal quotation intervals; and 4) inputs such as market validation.

Level 3: are unobservable inputs for the underlying asset or liability.

(II) Fair value measurement at the end of the period

1. Persistent fair value measurement

	Closing fair value			
Items	**Level 1**	**Level 2**	**Level 3**	**Total**
Other equity instrument investment	–	–	–	–
Other non-current financial assets	–	–	91,878	91,878
Total assets	–	–	91,878	91,878

(III) Items measured at fair value on a continuing and discontinuing level 3 basis, qualitative and quantitative information on the valuation techniques used and significant parameters

1. Description of fair value valuation

The difference between the carrying value and fair value of the Company's financial instruments, other than lease liabilities and long-term receivables disclosed at fair value, is minimal. Management has evaluated money funds, accounts receivable, notes payable and accounts payable, and the fair values approximate the carrying values due to the short remaining maturity.

The Company's finance department, headed by the Finance Manager, is responsible for establishing policies and procedures for the fair value measurement of financial instruments. The Finance Manager reports directly to the Chief Financial Officer and the Audit Committee. At each balance sheet date, the finance department analyses changes in the value of financial instruments and determines the key inputs to be applied to the valuation. The valuation is subject to review and approval by the Chief Financial Officer. The valuation process and results are discussed with the Audit Committee twice a year for interim and annual financial statement purposes.

IX. FAIR VALUE (CONTINUED)

(III) Items measured at fair value on a continuing and discontinuing level 3 basis, qualitative and quantitative information on the valuation techniques used and significant parameters (continued)

1. *Description of fair value valuation (continued)*

The fair value of financial assets and financial liabilities is determined as the amount that would result from a voluntary exchange of assets or settlement of liabilities between knowledgeable parties in an arm's length transaction, rather than a forced sale or liquidation situation. The following methods and assumptions are used to estimate fair value.

Long-term receivables are determined at fair value using the discounted future cash flow method, using as the discount rate the market rate of return for other financial instruments with similar contractual terms, credit risk and remaining maturity.

For the fair value of unlisted investments in equity instruments, the Company estimated and quantified the potential impact of using alternative reasonable and probable assumptions as inputs to the valuation model.

2. *Unobservable input value information*

Items	Fair value at end of period	Valuation techniques	Unobservable inputs	Range interval
Equity instrument investment: Beijing Mingtongsiji Technology Co., Ltd.	–	Comparative Approach for Listed Companies	–	–
Equity instrument investment: Shanghai Bolatu Information Technology Co., Ltd.	–	Net Asset Approach	–	–
Other non-current financial assets: Ningbo Lanshengqianhui Investment Partnership (Limited Partnership)	22,344	Net Asset Approach	–	–
Other non-current financial assets: Hangzhou Smart Equity Investment Partnership (Limited Partnership)	12,977	Net Asset Approach	–	–
Other non-current financial assets: Nantong Xunming Fund Partnership (Limited Partnership)	56,557	Net Asset Approach	–	–
Total	91,878			

(All amounts in RMB'000 unless otherwise stated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(I) Details of the Company's ultimate controlling party

As of 30 June 2023, the shareholding structure of the Company was relatively diversified, with the shareholding ratio of the highest shareholder not exceeding 30%. There was no controlling shareholder who could control the general meeting and the board of directors, nor was there any common control, and the Company had no de facto controller. Shareholders and directors are independent in exercising their voting rights.

As of 30 June 2023, the shareholdings of shareholders holding more than 10% of the shares were as follows:

Name of company or shareholder	Place of incorporation	Nature of business	Number of shares held	Shareholding in the Company (%)	Proportion of voting rights in the Company (%)
Shanghai Qijin Enterprise Management Partnership (Limited Partnership) ("Shanghai Qijin")	Shanghai	Business Management Consulting	85,200,000	15.56	15.66
Haitong Securities Asset Management No. 1 FOF Single Asset Management Plan of Securities Industry Supporting Private Enterprises on behalf of the Securities Industry	–	–	80,000,000	14.61	14.70
Shanghai Wensheng Asset Management Company Limited (hereinafter referred to as "Wensheng Asset")	Shanghai	Asset Management and Business Management Consulting	21,600,000	3.94	3.97

Shanghai Wensheng Asset Management Company Limited indirectly holds 100% share of Shanghai Qijin Enterprise Management Partnership (Limited Partnership), and Wensheng Asset and Shanghai Qijin constitute parties acting in concert. As of 30 June 2023, Shanghai Qijin and Wensheng Assets held a total of 106,800,000 A shares of the Company, representing 19.5% of the total share capital of the Company, and was the largest shareholder of the Company.

(II) The general information of the subsidiaries is set out in Note VII/(I) Interests in subsidiaries.

(All amounts in RMB'000 unless otherwise stated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(III) Joint ventures and associates of the Company

Details of the Company's significant joint ventures or associates are set out in Note VII/(II) "Interests in joint venture arrangements or associates".

Other joint ventures or associates with which the Company had related party transactions during the period, or with which the Company had related party transactions in prior periods that resulted in balances, are as follows:

Name of joint venture or associate	Relationship with the Group
Hongche Industrial	Associates

(IV) Information on other related parties

Name of other related parties	Relationship of other related parties with the Company
LACHA FASHION I LIMITED	Subsidiaries lost control in 2020
Naf Naf SAS	Subsidiaries lost control in 2020
Shanghai Hexia Investment Company Limited (hereinafter referred to as "Hexia Investment")	Former controlling shareholder's person in concert
Shanghai Weile	Subsidiaries lost control in 2022
Shanghai Leou	Subsidiaries lost control in 2022
Qixin Property Management	Subsidiaries lost control in 2022
Yixin Retail	Subsidiaries transferred in 2022
Shanghai Nuoxing	Subsidiaries lost control in 2023
Taicang Laxia	Subsidiaries lost control in 2023
Taicang Jiashang	Wholly-owned subsidiaries of Taicang Laxia that lost control in 2023
Taicang Xiawei Storage	Wholly-owned subsidiaries of Taicang Laxia that lost control in 2023
Anhui Xinshang	Subsidiaries that lost control in 2023

(V) Related party transactions

1. *For the subsidiaries which are controlled by the Company and counted into the consolidated financial statements, the internal and parent company transactions have been offset.*

2. *Asset leasing with related parties*

   (1) *The Company as lessee*

		Rental payment	
Name of Lessor	Leasing type	**Current period**	Previous period
Shanghai Weile	House and Buildings	**2,219**	–
Taicang Laxia	House and Buildings	**–**	–
Total		**2,219**	2,219

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(V) Related party transactions (continued)

2. Asset leasing with related parties (continued)

(1) The Company as lessee (continued)

Note of related party leasing:

Shanghai Weile, a former wholly-owned subsidiary of the Company entered into a lease agreement with La Chapelle to lease Building 4 in headquarters buildings, to La Chapelle for the period from 1 April 2018 to 31 March 2027. Shanghai Weile, a wholly-owned subsidiary, was filed for bankruptcy liquidation by its creditors because it was unable to pay its creditors' debts when due. It was taken over by the bankruptcy liquidation administrator appointed by the court on 9 August 2022 and was removed from the scope of consolidated statements. On 28 July 2023, it was re-signed as a temporary use agreement for housing with Shanghai Weile, the former wholly-owned subsidiary.

Taicang Laxia, the former wholly-owned subsidiary, entered into a lease agreement with La Chapelle Company to lease the first and first floors of Phase I, and the middle floor of Phase I (archive room) of Taicang Logistics Park to La Chapelle Company for a lease period from 1 January 2021 to 31 December 2026. On 10 February 2023, the People's Court of Taicang made a ruling (2022) Su 0585 Po Shen No. 29, accepting creditors' application for bankruptcy and reorganization of Taicang Laxia in accordance with the law and was taken over by the reorganization administrator, and Taicang Laxia was not included in the scope of consolidated statements.

3. Related party guarantees

(1) The Company as the guarantee party

Secured party	Amount of guarantee (in thousand)	Start date of guarantee	Expiry date of guarantee	Whether the guarantee has been fulfilled
LACHA FASHION I LIMITED	EUR37,400	30 November 2019	30 November 2021	No
Shanghai Weile Fashion Co., Ltd.	RMB416,143	15 August 2018	10 November 2023	No

Fashion I (taken over by the day of 25 February 2020), a former subsidiary of the Company, has borrowed funds from Gemstone Advantage Limited (previous name: of HTI ADVISORY COMPANY LIMITED), as of 30 June 2023, Fashion I was unable to repay any loan. On 17 January 2023, the Company received lawsuit, (2022) Hu 01 Minchu No. 193, against La Chapelle filed by HIT ADVISORY COMPANY LIMITED to the Shanghai No. 1 Intermediate People's Court regarding the guaranteed contract dispute.

On 27 July 2023, the Shanghai Financial Court ruled that the Company should assume the joint and several liability for the debt owed by Shanghai Weile to China Huarong Asset Management Company Limited, Shanghai FTZ Pilot Zone Branch, with the debt principal and interest amounting to RMB416,143 thousand in total.

(All amounts in RMB'000 unless otherwise stated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(V) Related party transactions (continued)

3. Related party guarantees (continued)

(2) The Company act as guaranteed party

Guarantor	Guaranteed amount	Date of commencement	Date of maturity	Whether the guarantee has been fulfilled
Xing Jiaxing	88,000	30 April 2020	30 April 2021	No
Xing Jiaxing	40,000	24 June 2020	24 June 2021	No
Xing Jiaxing	70,000	24 June 2020	24 June 2021	No
Xing Jiaxing	400,000	11 September 2019	10 September 2022	No
Xing Jiaxing	200,000	25 November 2019	25 November 2022	No
Xing Jiaxing	150,000	19 October 2018	2 January 2022	No
Xing Jiaxing	550,000	26 November 2019	26 November 2023	No
Shanghai Weile Fashion Co., Ltd.	88,000	30 April 2020	30 April 2021	No
Shanghai Weile Fashion Co., Ltd.	40,000	24 June 2020	24 June 2021	No
Shanghai Weile Fashion Co., Ltd.	70,000	24 June 2020	24 June 2021	No
Shanghai Weile Fashion Co., Ltd.	400,000	11 September 2019	10 September 2022	No
Shanghai Weile Fashion Co., Ltd.	200,000	25 November 2019	25 November 2022	No
Shanghai Weile Fashion Co., Ltd.	225,000	1 September 2019	31 August 2022	No
Shanghai Weile Fashion Co., Ltd.	150,000	19 October 2018	2 January 2022	No
La Chapelle Fashion (Taicang) Co., Ltd.	200,000	25 November 2019	25 November 2022	No
La Chapelle Fashion (Taicang) Co., Ltd.	225,000	1 September 2019	31 August 2022	No
La Chapelle Fashion (Taicang) Co., Ltd.	150,000	19 October 2018	2 January 2022	No
Total	3,246,000			

(All amounts in RMB'000 unless otherwise stated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(V) Related party transactions (continued)

3. Related party guarantees (continued)

(2) The Company act as guaranteed party (continued)

Note of related guarantees:

The total amount of guarantees provided by Mr. Xing Jiaxing, the former controlling shareholder, for the Company in 2022 was RMB1,498,000 thousand, which were outstanding as of 30 June 2023, of which RMB550,000 thousand was still outstanding and RMB1,498,000 thousand was in litigation.

Shanghai Weile, a former subsidiary of the Company, provided guarantees to the Company in the aggregate amount of RMB1,173,000 thousand. As of 30 June 2023, none of these guarantees had been fulfilled and RMB1,173,000 thousand was in litigation.

Taicang Laxia, a former subsidiary of the Company, provided guarantees to the Company in the aggregate amount of RMB575,000 thousand. As of 30 June 2023, none of these guarantees had been fulfilled and RMB575,000 thousand was in litigation.

4. Funds lending with related party

(1) Lending funds to related parties

Related parties	Amount lending	Description
Hongche Industrial	40,000	Expired
Hexia Investment	9,356	Fund appropriated, Expired
Total	49,356	

In 2021, upon self-investigation La Chapelle Company's found that Shanghai Hexia Investment Co., Ltd, a person acting in concert with Mr. Xing Jiaxing, the former controlling shareholder and de facto controller, had appropriated RMB9.5 million of funds from La Chapelle Company. In 2022, the company filed a lawsuit to the People's Court of Xuhui District, Shanghai on this matter, and on September 27, the People's Court of Xuhui District, Shanghai ruled that "Shanghai Xiang'an Information Technology Co. and Mr. Xing Jiaxing reimburse La Chapelle for the loss of interest on the funds occupied calculated on the basis of RMB9,500,000 from September 18, 2021 to the date of actual settlement at the standard of the one-year loan market quotation rate published by the National Interbank Offered Rate Center." As of 30 June 2023, the court has enforced the execution of RMB143,902.00 and remitted it to the company's account.

(All amounts in RMB'000 unless otherwise stated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(V) Related party transactions (continued)

5. Receivables and payables of related party

(1) Receivables from related parties of the Company

Items	Related party	Closing balance		Opening balance	
		Carrying amount	Bad debt allowance	Carrying amount	Bad debt allowance
Accounts receivable					
	Hongche Industrial	**4,284**	**4,284**	4,284	4,284
	Shanghai Weile	**263,527**	**263,527**	263,527	263,527
	Taicang Laxia	**787,562**	**787,562**	–	–
Other receivables					
	Hexia Investment	**10,824**	**10,824**	10,797	10,797
	Hongche Industrial	**660**	**660**	1,458	1,458
	LaCha Fashion I Limited	**117,017**	**117,017**	117,017	117,017
	Shanghai Weile	**270,553**	**270,553**	270,325	270,325
	Shanghai Leou	**146,686**	**146,686**	144,532	144,532
	Qixin Property Management	**11,200**	**11,200**	11,200	11,200
	Taicang Laxia	**13,340**	**13,340**	–	–
	Taicang Xiawei Storage	**7**	**7**	–	–
	Shanghai Nuoxing	**212,968**	**212,968**	–	–
	Anhui Xinshang	**1,209**	**–**	–	–
Other current assets					
	Hongche Industrial	**47,869**	**47,869**	47,869	47,869

(2) Payables to related parties of the Company

Items	Related party	Closing balance	Opening balance
Accounts payable			
	Shanghai Leou	**193,579**	194,297
	Shanghai Nuoxing	**362,831**	–
Other payables			
	Shanghai Weile	**137,640**	142,500
	Shanghai Leou	**23,622**	25,913
	Qixin Property Management	**10,056**	10,056
	LACHA FASHION I LIMITED	**14**	14
	Shanghai Nuoxing	**18,378**	–
	Taicang Laxia	**7,253**	–

(All amounts in RMB'000 unless otherwise stated)

XI. COMMITMENTS AND CONTINGENCIES

(I) Significant commitments

There are no material commitments of the Company that require disclosure

(II) Significant contingencies existing at the balance sheet date

1. Contingencies arising from pending litigation or arbitration and their financial impact

(1) The Company as a defendant

a. Litigation matters in which judgments are unexecuted

Serial number	Case type	Case number	Amount involved
1	Service contract disputes	7	5,087
2	Manufacturing contract disputes	110	599,905
3	Construction contract disputes	7	48,404
4	Construction progress contract disputes	3	175,785
5	Construction land use right contract disputes	1	40,480
6	Financial loan contract disputes	6	288,332
7	Labor disputes	1	120
8	Sale and purchase contract disputes	82	436,682
9	Bills disputes	25	5,283
10	Franchise contract disputes	1	150
11	Contract dispute over entrusted loans	1	586,528
12	Transport contract disputes	5	4,412
13	Copyright infringement disputes	3	720
14	Decoration contract disputes	7	3,896
15	Lease contract disputes	25	24,657
	Total	284	2,220,441

As of 30 June 2023, the Company had a total of 284 litigation cases with judgments unexecuted, involving the amount of RMB2,220,441 thousand. The interest of overdue has been calculated on 30 June 2023. Thereafter, interest for the period of late payment is credited to the corresponding fiscal year.

(All amounts in RMB'000 unless otherwise stated)

XI. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(II) Significant contingencies existing at the balance sheet date (continued)

1. Contingencies arising from pending litigation or arbitration and their financial impact (continued)

(1) The Company as a defendant (continued)

b. Unadjudicated litigation matters

Deadline	30 June 2023		As of the report date Amount involved			
Judgment Status	Pending Cases		Pending Cases		Judged Cases	
Case Type	Case number	Amount	Case number	Amount	Case number	Amount
Financial loan contract disputes	10	368,543	–	–	10	368,543
Guarantee contract disputes	1	416,143	–	–	1	416,143
Joint venture contract disputes	1	33	–	–	1	33
Disputes over the recognition of claims in insolvency	1	–	1	–	–	–
Total	13	784,719	1	–	12	784,719

As of 30 June 2023, the total number of cases in which the Company was a defendant and had not been adjudicated was 13 cases involving litigation amounting to RMB784,719 thousand.

(2) Company as plaintiff party

a. Litigation matters which judgments are unexecuted

Serial number	Case type	Case number	Amount involved
1	Property damage disputes	1	125
2	Associate contract disputes	1	316
3	Sale and purchase contract disputes	2	15,765
4	Other contract disputes	1	11,978
5	Trademark use right contract disputes	1	7,500
6	Trademark license contract disputes	1	400
7	Franchise contract disputes	2	3,541
8	Lease contract disputes	4	1,267
	Total	13	40,892

As of 30 June 2023, the total number of unexecuted cases in which the Company was the plaintiff and in which judgment had been rendered was 13, involving an amount of RMB40,892 thousand.

(All amounts in RMB'000 unless otherwise stated)

XI. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(II) Significant contingencies existing at the balance sheet date (continued)

1. Contingencies arising from pending litigation or arbitration and their financial impact (continued)

(2) Company as plaintiff party (continued)

b. Unjudged litigation matters

Serial number	Case type	Case number	Amount involved
1	Labor disputes	1	195
2	Trademark use right contract disputes	3	7,473
3	Trademark license contract disputes	1	–
4	Lease contract disputes	4	1,176
5	Joint venture contract disputes	6	8,560
6	Sale and purchase contract disputes	1	6,600
	Total	16	24,004

As of 30 June 2023, the total number of cases in which the Company was the plaintiff and in which judgment was not rendered was 16 cases involving RMB24,004 thousand.

(3) On 27 July 2022, the Company received the bankruptcy decision letter from the Shanghai No. 3 Intermediate People's Court in respect of its subsidiary Shanghai Leou, and the court appointed Shanghai Jiehua Law Firm as the administrator. On 19 August 2022, the Company filed creditor's declaration, and the first creditors' meeting was held on 8 September 2022. As of 30 June 2023, Shanghai Le'ou's insolvency liquidation matters were not concluded. The Company has fully impaired the equity investment and receivables to Shanghai Leou. The liquidation does not expect to have a material impact on the Company's existing business.

(4) On 11 July 2022, the Company received the bankruptcy decision letter from the Shanghai No. 3 Intermediate People's Court in respect of its subsidiary Shanghai Weile, and the court appointed Shanghai Huiye Law Firm as the administrator. On 9 August 2022, the Company filed creditor's declaration, and the first creditors' meeting was held on 23 August 2022. As of 30 June 2023, Shanghai Weile's insolvency liquidation matters were not concluded. The Company has fully impaired the equity investment and receivables to Shanghai Weile. The liquidation does not expect to have a material impact on the Company's existing business.

(5) On 19 July 2022, the Company received the pre-reorganization decision letter from the People's Court of Taicang in respect of its subsidiary Taicang Laxia, appointing Jiangsu Xintianlun Law Firm as the temporary administrator. The first creditors' meeting was held on 25 April 2023 and is currently in the stage of creditors' declaration of debts and asset verification. Taicang Laxia has entered into bankruptcy reorganisation proceedings. The Company, in accordance with the draft reorganisation plan of Taicang Laxia, expects that the possibility of recovery of equity investment is zero and the possibility of recovery of current account is extremely low, and has already provided for impairment of equity investment and current held by Taicang Laxia, and the reorganisation matter is expected to have no significant impact on the Company's existing business.

XI. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(II) Significant contingencies existing at the balance sheet date (continued)

1. Contingencies arising from pending litigation or arbitration and their financial impact (continued)

(6) On 25 February 2020, FASHION I, a subsidiary of the Company, was taken over by HTI ADVISORY COMPANY LIMITED (Gemstone Advantage Limited) due to non-payment of loans on schedule, and the Company was unable to exercise any control or influence over it and has lost control effectively. As a result, the Company's subsidiary FASHION I and its subsidiaries APPAREL I, APPAREL II and Naf Naf SAS all have lost control.

Naf Naf SAS, a former wholly owned subsidiary of the Company, was unable to repay the amounts owed to suppliers and the local government, and on 15 May 2020, judicial reorganization proceedings were formally initiated by a local French court and a judicial administrator was appointed to assist in all or part of the business operations of Naf Naf SAS. On 19 June 2020, the local French court ruled in favor of the disposal of certain assets and liabilities of Naf Naf SAS, including intangible assets, fixed assets, inventories, employee accrued rights, leases, franchise agreements, etc. (excluding monetary funds, accounts receivable, accounts payable, bank loans, etc.) for a price of approximately 8,232,700 Euro, and the judicial reorganization proceedings of Naf Naf SAS were transferred to judicial liquidation proceedings. The proceeds of the sale will be included in the judicial liquidation process to pay off its debts. As of 30 June 2023, the above-mentioned liquidation of Naf Naf SAS is not yet complete, the impact to the Company is uncertain pending the final outcome of the liquidation because the Company is unable to obtain further information in relation to the liquidation of Naf Naf SAS.

2. Contingencies arising from the provision of external debt guarantees and their financial impact

Serial number	Secured party	Subject matter	Amount (in thousand)	Presented under
1	LACHA FASHION I LIMITED	Borrowing Guarantee	EUR37,400 thousand	Estimated liabilities
2	Shanghai Weile Fashion Co., Ltd.	Borrowing Guarantee	RMB416,143 thousand	

As of 30 June 2023, other than the above-mentioned guarantees, there were no guarantees provided by the Company for other related parties and non-related party units.

Except for the existence of the above contingencies, there has no other material contingencies of the Company as of 30 June 2023, that should be disclosed but were not disclosed.

(All amounts in RMB'000 unless otherwise stated)

XII. EVENTS AFTER THE BALANCE SHEET DATE

(I) Effects of new litigation or arbitration

(1) The Company as defendant

Deadline	Report date		Report date			
Judgment Status	Pending and Judged Cases		Pending Cases		Judged Cases	
Case Type	Case number	Amount	Case number	Amount	Case number	Amount
Trademark license contract disputes	2	80	–	–	–	–
Total	2	80	–	–	–	–

The total number of cases in which the Company was added as a defendant from 1 July 2023 to the date of the audit report was 2, involving a total amount of RMB80 thousand. Among them, the total number of litigation cases that have been judged is 0.

(2) The Company as Plaintiff

Serial number	Defendant	Case number	Amount involved
1	Transport contract dispute	1	233
2	Joint venture contract dispute	1	84
3	Trademark license contract dispute	2	961
	Total	4	1,278

The total number of cases in which the Company was added as a plaintiff from 1 July 2023 to the date of the audit report was 4, and the amount involved was RMB1,278 thousand.

(II) Description of other events after the balance sheet date

Except for the above-mentioned post-balance sheet events, the Company has no other material post-balance sheet events that should be disclosed but were not disclosed as of the date of approval of the financial report.

(All amounts in RMB'000 unless otherwise stated)

XIII. QUALITATIVE AND QUANTITATIVE DISCLOSURES RELATED TO LEASING

Disclosures as a lessee:

Many of the Company's real estate leases contain variable lease payment terms that are tied to the sales volume of the stores being leased. Where possible, the Company uses these terms to match lease payments to the stores that generate more cash flow. For individual stores, up to 100% of the lease payments can be based on variable payment terms and a wide range of sales ratios are used. In some cases, the variable payment terms also include annual payment floors and caps.

As of 30 June 2023, the lease payments and terms are summarized below:

Category	Number of stores	Fixed Payment Amount	Variable payment amount	Total payment amount
Fixed rent only	4	286	–	286
Variable rent with no minimum	–	–	–	–
Variable rent with minimum standard	5	951	166	1,117
Total	9	1,237	166	1,403

Disclosures as lessor:

The Company uses some of its buildings and structures for leasing, and according to the lease contract, the rent is subject to annual adjustment based on market rental conditions. the Company generated revenues of RMB6,147 thousand from January to June in 2023, see Note V/(XXXVI). The leased-out buildings and structures are not accounted for as investment properties because they cannot be separated and measured separately.

XIV. OTHER SIGNIFICANT EVENTS

(I) Being Filed for bankruptcy liquidation

The Company received (2023) Hu 03 Po No. 64 "Civil Ruling" from Shanghai No. 3 Intermediate People's Court on 6 February 2023. The court ruled on 2 February 2023 to accept the bankruptcy liquidation case of La Chapelle and appointed King & Wood Mallesons (Beijing), Shanghai Branch as the administrator. On 24 May 2023, the first creditors' meeting was held under the auspices of Shanghai No. 3 Intermediate Court, and the administrator of the Company issued the "Announcement on Pre-recruitment of Intended Investors in the Bankruptcy Liquidation Case of Xinjiang LaChapelle Fashion Co., Ltd" on the "National Enterprise Bankruptcy Re-arrangement Cases Information Network" on 20 June 2023, and the Company is currently in the stage of declaration of debts by creditors and verification of assets.

XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

(I) Being Filed for bankruptcy liquidation (continued)

If, after the Court accepted the bankruptcy liquidation of the Company, the debtor or the shareholders contributing to more than one-tenth of the registered capital of the debtor does not apply to the Court for reorganization before the Company is declared bankrupt, or the Court rules not to accept the reorganization of the Company, or the Court rules to accept the reorganization but the draft of the reorganization plan has not been approved by the creditors' meeting, the adjustment plan of the shareholders' rights and interests has not been approved by the shareholders' meeting and the draft of the reorganization plan has not been approved by the Court, the Company will be declared bankrupt by the Court. After the declaration of bankruptcy, the administration will commence the liquidation of the Company in accordance with the law and shall, after receiving rulings of the Court to conclude the bankruptcy procedures, deregister the Company at the company registry. The interest of the shareholders of the Company may be zeroed out after the Company is deregistered.

The Company received the Civil Ruling No. (2023) Hu 03 Po No. 534 from Shanghai No. 3 Intermediate People's Court on 8 August 2023. The Shanghai Third Intermediate Court ruled on 28 July 2023 to accept the bankruptcy liquidation case of Laxia Xiuxian, a wholly-owned subsidiary, and appointed the King & Wood Mallesons (Beijing), Shanghai Branch as the administrator. Currently, it is in the stage of creditors' declaration of debts and assets verification. As Laxia Xiuxian enters into bankruptcy liquidation, there is a risk that the Company's equity investment and other receivables held by Laxia Xiuxian may not be recovered.

(II) Equity freezes in subsidiaries

Up to now, the equity interests of 13 subsidiaries of the Company have been frozen as a result of the Company's involvement in litigation cases and other impacts, involving a total execution amount of approximately RMB872 million. The freezing of the equity interests of the Company's subsidiaries has not yet had any material impact on the normal operation of the Company and its subsidiaries, but there is a risk that the equity interests of the subsidiaries may be judicially disposed of due to the above matters.

(III) Cancellation of repurchased shares

On 13 January 2023, the Company convened the 2023 first extraordinary general meeting and class meetings, the 2023 first domestic shareholders class meeting and the 2023 first H shareholders class meeting to consider and approve the resolution in relation to cancellation of repurchased shares and reduction of registered capital and amendments to the Articles of Association* (《關於註銷回購股份並減少註冊資本及修訂〈公司章程〉的議案》). The Company proposed to cancel the 3,573,200 domestic shares, which was repurchased by the Company by transaction through centralized bidding in 2020, deposited in the securities account designated for share repurchase of the Company and reduce the registered capital of the Company accordingly. As at the approval date of this financial statements, the Company is in the bankruptcy liquidation procedures and was temporarily unable to handle the matters related to cancellation of shares.

XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

(IV) Asset auctions

According to Announcement (2023) Chuan 0115 Zhi hui No. 431 of the People's Court of Wenjiang District, Chengdu, the industrial land located at No. 355, Section 3, Wenquan Avenue, Jinma Town, Wenjiang District, Chengdu, and the subjects on the land held by Chengdu Lewei Fashion Co., Ltd., a wholly-owned subsidiary of the Company, were put up for public auction for a second time at the Taobao Judicial Auction Network Platform on 8 August 2023, and the results of the auction have been generated. As at the date of this report, the Company and its subsidiaries have not yet received the relevant documents issued by the court in relation to the auction results.

The first online judicial auction was held on "Taobao" (www.taobao.com), and the auction was unsold due to lack of bids; the above real estate was sold at the second online judicial auction on "Taobao" (www.taobao.com) from 10:00 a.m. on 14 February 2023 to 10:00 a.m. on 17 February 2023, and the auction was aborted due to lack of bids. The second online judicial auction was held on Taobao (www.taobao.com) from 10:00 a.m. on 9 May 2023 to 10:00 a.m. on 12 May 2023, which was again unsold due to no bids. The Company was informed by the public information on Taobao on 3 July 2023 that according to the People's Court of Xuhui District, Shanghai (2021) Hu 0104 Zhi No. 3408, the above-mentioned real estate will be sold by judicial auction on "Taobao" (www.taobao.com) from 10:00 a.m. on 8 August 2023 to 10:00 a.m. on 7 October 2023 (except for the extension of the period).

(V) Division Information

The Company determines operating segments based on its internal organizational structure, management requirements, and internal reporting system. An operating segment of the Company is a component that also meets the following conditions.

(1) The component is capable of generating revenues and incurring expenses in the ordinary course of its activities;

(2) Management is able to regularly evaluate the operating results of the component in order to decide to allocate resources to it and evaluate its performance;

(3) It is possible to obtain accounting information related to the financial position, results of operations and cash flows of the component.

The Company determines its reportable segments on the basis of operating segments. An operating segment is determined to be a reportable segment if one of the following conditions is met:

(1) The segment revenue of that operating segment represents 10% or more of the total revenue of all segments;

(2) The absolute amount of segment profit (loss) of that segment represents 10% or more of the greater of the aggregate profit of all profitable segments or the absolute amount of the aggregate loss of all loss-making segments.

The Company has a single business, mainly the sale of apparel, brand-integrated services and leasing of some buildings in the country. Management manages this business as a whole and evaluates operating results, therefore, no segment information is presented in these financial statements.

(All amounts in RMB'000 unless otherwise stated)

XV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

(I) Accounts receivable

Accounts receivable with aging since invoice date are analyzed as follows:

1. Accounts receivable disclosed based on aging

Aging	**Closing balance**	Opening balance
Within 90 days	**1,518,260**	2,272,263
90 days to 1 year	**1,565**	6,324
1 to 2 years	**21,978**	34,083
2 to 3 years	**257,830**	44,385
3 years above	**838,175**	258,326
Sub-total	**2,637,808**	2,615,381
Less: allowance for bad debt	**1,135,265**	1,140,047
Total	**1,502,543**	1,475,334

2. Disclosed based on classification of accrual method for bad debts

	Closing balance				
	Carrying amount		**Allowance for bad debt**		
Categories	**Amount**	**Proportion (%)**	**Amount**	**Proportion (%)**	**Carrying amount**
Accounts receivable with a single accrual for expected credit losses	**1,119,707**	**42**	**1,119,707**	**100**	**–**
Accounts receivable subjected to accrual for expected credit losses on portfolio basis	**1,518,101**	**58**	**15,558**	**1**	**1,502,543**
Including: credit risk characteristics combined with allowance for bad debts	**1,518,101**	**58**	**15,558**	**1**	**1,502,543**
Total	**2,637,808**	**100**	**1,135,265**	**43**	**1,502,543**

(All amounts in RMB'000 unless otherwise stated)

XV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

(I) Accounts receivable (continued)

2. Disclosed based on classification of accrual method for bad debts (continued)

Continued:

Categories	Opening balance Carrying amount Amount	Proportion (%)	Allowance for bad debt Amount	Proportion (%)	Carrying amount
Accounts receivable subjected to accrual for expected credit losses on individual basis	1,124,018	43	1,124,018	100	–
Accounts receivable subjected to accrual for expected credit losses on portfolio basis	1,491,363	57	16,029	1	1,475,334
Including: credit risk characteristics combined with allowance for bad debts	1,491,363	57	16,029	1	1,475,334
Total	2,615,381	100	1,140,047	44	1,475,334

3. Accounts receivable subjected to allowance for expected credit losses on individual basis

Name of company	**Closing balance Carrying amount**	**Allowance for bad debt**	**Carrying amount**	**Reason**
Hongche Industrial	**4,284**	**4,284**	**100**	**Note (1)**
Shanghai Weile Fashion Co., Ltd.	**263,527**	**263,527**	**100**	**Note (2)**
La Chapelle Fashion (Taicang) Co., Ltd.	**787,557**	**787,557**	**100**	**Note (3)**
Accounts receivables from merchant	**64,339**	**64,339**	**100**	**Note (4)**
Total	**1,119,707**	**1,119,707**		

(All amounts in RMB'000 unless otherwise stated)

XV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

(I) Accounts receivable (continued)

3. Accounts receivable subjected to allowance for expected credit losses on individual basis (continued)

(1) The receivables from Hongche Industrial, a related party outside the scope of consolidation, amounted to RMB4,284 thousand. As Hongche Industrial was in poor operating condition and had liquidity problems, the Company considered that the receivables were difficult to collect and therefore accrued for bad debts in full.

(2) On 9 August 2022, Shanghai Weile, a wholly-owned subsidiary of the Company, was taken over by a bankruptcy liquidation administrator designated by the court. As Shanghai Weile is insolvent and has preferential claims, the Company expects that it will be difficult to collect its receivables, and therefore full provision for bad debts has been made. In July 2022, Taicang Laxia, a subsidiary, entered into bankruptcy pre-reorganization proceedings, and the Company expects that it will be difficult to collect its receivables, and therefore a full provision for bad debts has been made.

(3) On 10 February 2023, Taicang Laxia, a wholly-owned subsidiary, was taken over by a court-appointed bankruptcy liquidation administrator. As Taicang Laxia is insolvent and has preferential claims, the Company expects that it will be difficult to collect its receivables, and therefore full provision for bad debts is made.

(4) The amounts due from shopping malls for which accrual for bad debts was made were all due to the poor operating conditions of the shopping malls and liquidity problems, some of the shopping malls were in a state of closure and the Company considered that it was difficult to collect the receivables in full and therefore a full accrual for bad debts was made.

4. Accounts receivable subjected to accrual for expected credit losses on portfolio basis

(1) Accrual on portfolio basis

	Closing balance		
Aging	**Carrying amount**	**Allowance for bad debt**	**Accrual ratio (%)**
Within 90 days	**1,517,423**	**15,207**	**1**
90 days to 1 year	**1**	**–**	**5**
1 to 2 years	**282**	**85**	**30**
2 to 3 years	**322**	**193**	**60**
3 years above	**73**	**73**	**100**
Total	**1,518,101**	**15,558**	**1**

(All amounts in RMB'000 unless otherwise stated)

XV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

(I) Accounts receivable (continued)

5. *Details of Accrual, recovery and reversal for bad debt in the current period*

Category	Opening balance	Changes in the current period				Closing balance
		Accrual	Recovery or reversal	Write-off	Other changes	
Accounts receivable subjected to accrual for expected credit losses on individual basis	1,124,018	–	4,298	13	–	1,119,707
Accounts receivable subjected to accrual for expected credit losses on portfolio basis	16,029	–	471	–	–	15,558
Including: credit risk characteristics combined with allowance for bad debts	16,029	–	471	–	–	15,558
Toral	1,140,047	–	4,769	13	–	1,135,265

6. *Actual write-off of accounts receivable during the reporting period*

Items	Write-off amount
Actual written-off accounts receivable	13

7. *Details of the top five of accounts receivable at the end of the period*

Name of company	**Closing balance**	**As a percentage of the closing balance of accounts receivable (%)**	**Bad debt Allowance**
Summary of top five accounts receivable with closing balances	2,074,407	79	800,425

8. *There were no accounts receivable derecognized due to the transfer of financial assets during the reporting period*

9. *There were no assets and liabilities resulting from the transfer of accounts receivable and continued involvement in the reporting period*

(All amounts in RMB'000 unless otherwise stated)

XV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

(II) Other receivables

1. *Disclosure of other receivables by aging*

Aging	Closing balance	Opening balance
Within 1 year	**89,165**	495,289
1 to 2 years	**175,970**	14,094
2 to 3 years	**34,230**	1,173
3 years above	**210,793**	33,214
Subtotal	**510,158**	543,770
Less: Provision for bad debt	**238,209**	244,498
Total	**271,949**	299,272

2. *Classified by characteristic*

Nature	Closing balance	Opening balance
Accounts receivable due from subsidiaries	**442,222**	469,180
Deposits and security deposits	**34,505**	47,134
Refund of service charge expenses	**3,278**	9,778
Employee reserve fund	**1**	52
Property rental fees	**711**	2,534
Others	**29,441**	15,092
Total	**510,158**	543,770

3. *Presented by three stages of impairment for financial asset*

Item	Closing balance			Opening balance		
	Carrying amount	Allowance for bad debt	Book value	Carrying amount	Allowance for bad debt	Book value
Stage 1	**275,404**	**3,617**	**271,787**	303,422	4,150	299,272
Stage 2	**1,374**	**1,212**	**162**	23	23	–
Stage 3	**233,380**	**233,380**	**–**	240,325	240,325	–
Total	**510,158**	**238,209**	**271,949**	543,770	244,498	299,272

(All amounts in RMB'000 unless otherwise stated)

XV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

(II) Other receivables (continued)

4. *Details of bad debt allowance for other receivables*

Bad debt allowance	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses (no credit impairment occurred)	Stage 3 Lifetime expected credit losses (credit impairment occurred)	Total
Opening balance	4,150	23	240,325	244,498
The balance at the beginning of the current period	–	(3)	3	–
– Transfer to stage 2	–	–	–	–
– Transfer to stage 3	–	(3)	3	–
– Reverse to stage 2	–	–	–	–
– Reverse to stage 1	–	–	–	–
Accrual	–	1,192	–	1,192
Reversal	533	–	6,948	7,481
Write-off	–	–	–	–
Other changes	–	–	–	–
Closing balance	3,617	1,212	233,380	238,209

5. *There were no other receivables actually written off during the reporting period*

6. *The top five other receivables by party in arrears at the end of the period*

Name	Nature of payment	Closing balance	Ageing	As a percentage of the ending balance of other receivables (%)	Impairment for bad debts Closing balance
Summary of top five other receivables with closing balances	Related party receivables	413,666	above 1 year	81	170,813

7. *There were no other receivables involving government grants in this reporting period*

8. *There were no other receivables derecognized due to the transfer of financial assets in this reporting period*

9. *There were no assets or liabilities arising from the transfer of other receivables and their continued involvement in the reporting period*

(All amounts in RMB'000 unless otherwise stated)

XV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

(III) Long-term equity investments

	Closing balance			Opening balance		
Characteristic	**Carrying amount**	**Impairment allowance**	**Book value**	Carrying amount	Impairment allowance	Book value
Investment in subsidiaries	**883,250**	**396,230**	**487,020**	988,250	406,230	582,020
Investment in associates and joint ventures	**–**	**–**	**–**	–	–	–
Total	**883,250**	**396,230**	**487,020**	988,250	406,230	582,020

1. *Investment in subsidiaries*

Investee	**Opening balance**	**Addition in the current period**	**Decrease in the current period**	**Closing balance**	**Impairment in the current period**	**Balance of impairment**
Laxia Xiuxian	5,000	–	–	5,000	–	–
Chongqing Lewei	500	–	–	500	–	–
Beijing Laxia	500	–	–	500	–	–
Chengdu Laxia	500	–	–	500	–	–
Shanghai Langhe	5,000	–	–	5,000	–	5,000
Shanghai Xiawei	5,000	–	–	5,000	–	–
Taicang Laxia	95,000	–	95,000	–	–	–
Tianjin Laxia	10,000	–	–	10,000	–	–
Chengdu Lewei	10,000	–	–	10,000	–	–
Shanghai Chong'an	12,750	–	–	12,750	–	12,750
Shanghai Youshi	20,000	–	–	20,000	–	–
Fujian Lewei	10,000	–	–	10,000	–	–
Enterprise Management	800,000	–	–	800,000	–	375,480
Shanghai Nuoxing	10,000	–	10,000	–	–	–
Shanghai Jiatuo	1,000	–	–	1,000	–	–
Laxia Nafu	3,000	–	–	3,000	–	3,000
Guangzhou Xichen	–	–	–	–	–	–
Total	988,250	–	105,000	883,250	–	396,230

XV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

(III) Long-term equity investments (continued)

2. Investments in associates and joint ventures

Investee	Opening balance	Changes in the current period Additional investment	Disinvestment	Return on investment under equity method	Adjustment in other comprehensive profit or loss
I. Associated companies					
Shanghai Yishan	–	–	–	–	–
Total	–	–	–	–	–

Continued:

Investee	Changes in the current period Changes in other equity	Declare payment of cash dividends or profits	Impairment	Other	Closing balance	Balance of impairment
I. Associated companies						
Shanghai Yishan	–	–	–	–	–	–
Total	–	–	–	–	–	–

3. Notes to long-term equity investments

As of 30 June 2023, Shanghai Yishan has not yet start business activities.

(All amounts in RMB'000 unless otherwise stated)

XV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

(IV) Revenue and cost of sales

1. Revenue, cost of sales

	Current period incurrence		Prior period incurred	
Item	Revenue	Cost	Revenue	Cost
Principal business	13,006	3,236	32,433	10,930
Other business	2,123	122	3,399	80
Total	15,129	3,358	35,832	11,010

2. Income derived from contracts:

Contract classifications	Current period incurrence	Prior period incurred
1. Category of products		
Apparel	5,632	22,375
Brand-integrated services	7,374	10,058
Lease	1,903	3,159
Other	220	240
2. Classified by business areas		
Domestic	15,129	35,832
Overseas	–	–
3. Classified by the timing of commodity transfer		
Transferred at a point in time	9,277	13,217
Transferred at a point over time	5,852	22,615
Total	15,129	35,832

(V) Investment income

Items	Current period incurrence	Prior period incurred
Investment gains/losses from debt restructuring	(134)	2,679
Total	(134)	2,679

(All amounts in RMB'000 unless otherwise stated)

XVI. SUPPLEMENTARY INFORMATION

(I) Summary of non-current profit or loss

Items	Current Period Incurrence	Prior Period Incurred
Gains and Loss from disposal of non-current assets	**413**	(846)
Government grants included in current profit or loss (except those closely related to the business of the enterprise and enjoyed in a fixed or quantitative manner in accordance with national uniform standards)	**14,143**	2,005
Gains and losses on debt restructuring	**5,309**	11,208
Capital occupation fees	**172**	176
Investment gains arising from the disposal of subsidiaries	**(464,456)**	–
Gains or losses from changes in fair value	**(330)**	(969)
Non-operating income and expenses other than those mentioned above	**(67,641)**	(59,611)
Less: Income tax effect	**–**	–
Effect of minority interests (after tax)	**8**	(2,000)
Total	**(512,398)**	(46,037)

(II) Return on net assets and earnings per share

Profit during the reporting period	Weighted average return rate on net assets (%)	Earnings per share Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	–	(1.04)	(1.04)
Net profit after deducting non-recurring profit or loss attributable to ordinary shareholders of the Company	–	(0.10)	(0.10)